

CITY OF VOLGA
VOLGA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2015
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Volga
Volga, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Volga (City), Brookings County, South Dakota as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

I did not audit the modified cash basis of accounting financial statements of the Volga Housing and Redevelopment Commission, the Country View Apartments or the Volga Non-Profit Development Corporation which together represent 100% of the cash assets, net position, receipts and disbursements of the aggregate discretely presented component units on the government-wide statement of net position and statement of activities.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1c - this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities and each major fund.

Basis for Disclaimer of Opinion

The modified cash basis of accounting financial statements of the Volga Housing and Redevelopment Commission, the Country View Apartments and the Volga Non-Profit Development Corporation, have not been audited. I was not engaged to audit the modified cash basis of accounting financial statements of these component units as part of my audit of the City of Volga's modified cash basis of accounting financial statements. The component units' modified cash basis of accounting financial statements are included in the City's modified cash basis of accounting financial statement as aggregate discretely presented component units and represents 100% of the cash assets, net position, receipts and disbursements of the City's aggregate discretely presented component units.

Disclaimer of Opinion

The modified cash basis of accounting financial statements, referred to above, of the financial position of the aggregate discretely presented component units of the City of Volga, South Dakota as of December 31, 2015 and the changes in its financial position for each of the years in the biennial period then ending, were not audited by me and, accordingly, I do not express an opinion on them.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting, of the governmental activities, business-type activities, and each major fund of the City of Volga, Brookings County, South Dakota, as of December 31, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with the modified cash basis of accounting described in Note 1c to the financial statements.

Other Matters - Basis of Accounting

I draw attention to Note 1c of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Volga's financial statements.

The management's discussion and analysis (page 4 to 10), budgetary comparison schedules (page 35 to 37), schedule of net pension liability (asset) (page 39), and schedule of pension contributions (page 39) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's financial statements.

The schedule of long-term debt (page 38) listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 40) dated July 21, 2016 on my test of the City's compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



July 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Volga (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2015, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 10.

FINANCIAL HIGHLIGHTS	2015	2014
Receipts:		
Charges for goods and services	5,699,183	5,267,156
Operating grants	9,162	8,325
Capital grants	0	0
General receipts	1,020,584	949,831
Bond proceeds	0	920,000
	-----	-----
Total	6,728,929	7,145,312
	-----	-----
Disbursements:		
Governmental	1,410,322	1,239,631
Business-type	5,441,372	5,698,488
	-----	-----
Total	6,851,694	6,938,119
	-----	-----
Increase (Decrease) in Net Position	(122,765)	207,193
Net Position:		
December 31, 2013		2,715,161

December 31, 2014	2,922,354	2,922,354
	-----	=====
December 31, 2015	2,799,589	
	=====	
Governmental Funds:		
General	520,832	718,989
TIF #1	0	0
Business-Type Funds:		
Water	556,603	417,199
Electric	1,226,529	1,310,594
Sewer	495,625	475,572
	-----	-----
Total	2,799,589	2,922,354
	=====	=====

During 2015, the City:

- * Received property tax revenue of \$364,408.
- * Received sales tax revenue of \$434,426.
- * Receiver liquor license and mark-up revenue of \$36,008.
- * Purchased a pelican street sweeper for \$175,058.
- * Purchased a Ford F550 chassis - brush truck for \$38,127.
- * Made a 2014 Electric Revenue Bond principal payment of \$120,00.
- * Contributed \$50,000 to the Performing Arts Center.
- * Transferred \$200,000 from the electric fund to the sewer fund for capital improvements.

During 2014, the City:

- * Received property tax revenue of \$350,190.
- * Received sales tax revenue of \$434,574.
- * Receiver liquor license and mark-up revenue of \$29,426.
- * Purchased a 2014 Chevrolet Impala for \$17,700.
- * Purchased a sander box for \$21,276.
- * Contributed \$100,000 to the Performing Arts Center.
- * Issued a 2014 Electric Revenue Bond for \$920,000.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

This annual report consists of three parts: (1) management's discussion and analysis (page 4 to 10), (2) the modified cash basis financial statements (page 11 to 34) and (3) required supplementary information (page 35 to 37). The modified cash basis financial statements include two kinds of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide information about the City's cash and overall receipts and disbursements.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on individual parts of the City's operations: the governmental, enterprise and component unit activities of the City.

The governmental fund financial statements tell how governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City are the general fund and TIF #1 debt service fund.

The enterprise fund financial statements offer financial information about activities the City operates like a business. Enterprise funds operated by the City are the water, electric, and sewer funds.

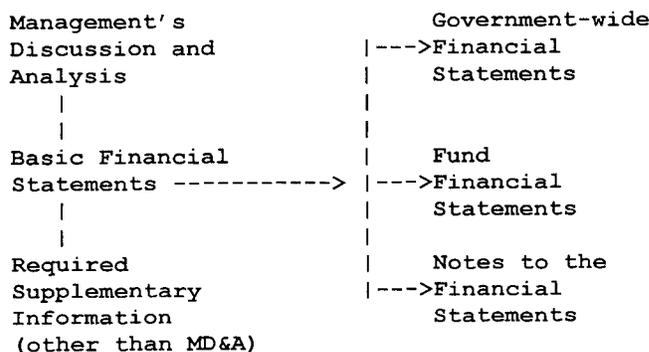
The component units financial statements offer financial information about separate legal entities for which the City has fiscal responsibility but which are not part of the primary government. The Volga Housing and Redevelopment Commission, the Country View Apartments and the Volga Non-profit Development Corporation are component units of the City of Volga. See page 21 and 22 for information.

The financial statements also include notes that explain in more detail some of the information found in the financial statements. The financial statements are followed by a section of required supplementary information which presents a budgetary analysis of the general fund.

Supplementary Information:

This Management's Discussion and Analysis (page 4 to 10), the Budgetary Comparison Schedules (page 35 to 37), schedule of net pension liability (asset) (page 39), and schedule of pension contributions (page 39) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide	-----Fund Statements-----		
	Statements	Governmental	Enterprise	Component
	-----	Funds	Funds	Units
Scope	Entire City	City activities except enterprise (ie: water)	Activities operated like a private business (ie: water)	Separate legal entity
Required Modified Cash Basis Financial Statements	Statement of Net Cash Assets	Cash Balance Sheet	Statement of Net Cash Assets	Combining Stmt. of Net Cash Assets
	Statement of Cash Activities	Stmt. of Receipts Disbursements and Changes in Fund Cash Balances	Stmt. of Receipts, Disbur. and Changes in Net Cash Assets Stmt. of Cash Flows	Combining Stmt. of Receipts Disbur. and Changes in Net Cash Assets Combining Stmt of Cash Flows

	Government-wide	-----Fund Statements-----		
	Statements	Governmental	Enterprise	Component
	-----	Funds	Funds	Units
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash and CDs No liabilities	Only cash and CDs No liabilities	Only cash and CDs No liabilities	Only cash & CDs No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbur.	Cash receipts Cash disbursements	Cash receipts Cash disbur.

BASIS OF ACCOUNTING

The City has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they come from cash transactions, except for the recording of certificates of deposits.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues, (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information presented within this report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

REPORTING THE CITY AS A WHOLE

This report includes all activities for which the City of Volga's Council is fiscally responsible. These activities define the City's reporting entity, which include the primary government and two other separate legal entities known as component units.

The primary government is: City of Volga

The component units are: Volga Housing and Redevelopment Commission
Country View Apartments
Volga Non-Profit Development Corporation

GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 11 to 13) report information about the City as a whole using the modified cash basis of accounting. There are two government-wide statements: the Statement of Net Cash Assets and the Statement of Cash Activities.

The Statement of Net Cash Assets includes all of the government's cash and certificates of deposit. Net cash assets equals the cash plus certificates of deposit. Changes in these accounts is one way to measure the City's financial health. Increases or decreases in net cash assets measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, sales tax receipts and/or grant activity.

The Statement of Cash Activities includes all of the year's receipts and disbursements. You will notice that disbursements are listed in the first column by program. Receipts related each program are reported to the right of the disbursements. The result is a net receipt/disbursement for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

The government-wide financial statements have three broad categories of information: governmental activity, business-type activity and aggregate discretely presented component units activity.

The governmental activities include operation of the government such as the City Council, public safety, streets and highway, snow removal, debt service, and recreational programs. Property taxes, sales taxes, revenue from the state, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's water, electric, and sewer operations. These operations are financed mostly by user fees.

Component unit activity accounts for the Volga Housing and Redevelopment Commission, Country View Apartments, and Volga Non-Profit Development Corporation. Although legally separate, these entities are "component units" of the City because the City's governing board appoints members to their governing boards and because the City can impose its will on them. For example, the Volga Housing and Redevelopment Commission is required by statute to get the City's approval before it can start any specific project or issue debt. (SDCL 11-7-24, 11-7-49, and 11-7-53) Separately issued financial statements of the Volga Housing and Redevelopment Commission and Country View Apartments may be obtained from: 601 Samara Avenue, Volga, SD 57071. Separately issued financial statements of the Volga Non-Profit Development Corporation may be obtained at the Volga City Hall. See page 21 and 22 for more information.

FUND FINANCIAL STATEMENTS

(reporting the City's most significant funds)

The fund financial statements (page 14 to 22) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to track the City's receipts and disbursements. State law and bond covenants require the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and component units.

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and certificates of deposit flows in and out of that fund, and (2) cash and certificates of deposit balances left at year-end which are available for spending in the next year. The governmental funds statements provide detail short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there is more or fewer cash and certificate of deposit resources available for spending in the near future to finance the City's programs. The general and debt service funds are the two governmental funds maintained by the City.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and certificates of deposit and the receipt and disbursement of cash and certificates of deposit, the same as the governmental funds. The water, electric, and sewer funds are the enterprise funds maintained by the City.

Component units: The Volga Housing and Redevelopment Commission and Country View Apartments account for housing activities. The Volga Non-Profit Development Corporation accounts for local development activity. See above and page 21 and 22 for more information.

MATERIAL CHANGES IN STATEMENT OF NET CASH ASSETS AND STATEMENT OF CASH ACTIVITIES

(Material changes for governmental activities = changes greater than \$ 75,000)

(Material changes for business-type activities = changes greater than \$250,000)

<u>2015 Year:</u>	Increase (Decrease)	Reason
Governmental Activities:		
Cash and CDs	(198,000)	Cash basis operating loss.
Public works	110,000	In line with budgeted expenditures.
Economic development	90,000	Additional payments to Volga Dev. Corp.

Business-Type Activities:		
Charges for services	394,000	Increased utility rates.
Electric operations	(405,000)	Improvements completed in 2014.
Bond proceeds	(920,000)	No new bonds.

<u>2014 Year:</u>		
Governmental Activities:		
Cash and CDs	(124,000)	Cash basis operating loss.
Public works	(217,000)	Street project completed in 2013.
Economic development	(137,000)	No payments to Volga Dev. Corp.
Intergovernmental exp.	100,000	Payment to Performing Arts Center.
Developer advances	(232,000)	Less developer advances for TIF #1.
Transfers	(217,000)	No transfers in 2014.

Business-Type Activities:		
Cash and CDs	331,000	Cash basis operating income.
Charges for services	359,000	Increased utility rates.
Electric costs	1,286,060	Electric substation improvements.
Bond proceeds	920,000	New electric bonds.
Transfers	(217,000)	No transfers in 2014.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2015 the City adopted a general fund budget of \$1,509,897 which is an increase of \$165,159 or 12.28% from 2014. There were two supplemental appropriations in 2015. See page 35 for more information.

In 2014 the City adopted a general fund budget of \$1,344,738 which is an decrease of \$45,998 or 3.31% from 2013. There were no supplemental appropriations in 2014. See page 36 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above.
The City is current on all its debt. See page 38 for more information.

CURRENTLY KNOWN FACTS

In November 2015 the component unit, Country View Apartments, was sold.

In 2016 the City entered into Tax Increment District Project Number Two with a developer for an amount not to exceed \$696,900.

In 2016 the City entered into Tax Increment District Project Number Three with a developer for an amount not to exceed \$702,000.

In 2016 the City was notified that it would not be necessary for the City to make its 2016 contribution of \$50,000 to the Performing Arts Center.

In 2016 the City began studying the development of an Activity Center, which is expected to cost \$2.75 million with funding from grants and local sources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Volga's finance office at P.O. Box 217, Volga, SD 57071 or telephone us at 605-627-9113.

CITY OF VOLGA
 TABLE 1 - NET POSITION -- MODIFIED CASH BASIS
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2015, DECEMBER 31, 2014, AND DECEMBER 31, 2013

	Governmental Activities			Business-Type Activities			Total Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Assets:									
Checking	520,832	718,989	843,063	821,881	757,952	475,613	1,342,713	1,476,941	1,318,676
Savings				915,273	909,706	907,844	915,273	909,706	907,844
Certificates of deposit				541,603	535,707	488,641	541,603	535,707	488,641
Total assets	520,832	718,989	843,063	2,278,757	2,203,365	1,872,098	2,799,589	2,922,354	2,715,161
Net position:									
Restricted:									
Debt service				46,531	46,000		46,531	46,000	
Customer deposits				76,813	83,142	82,496	76,813	83,142	82,496
Unrestricted	520,832	718,989	843,063	2,155,413	2,074,223	1,789,602	2,676,245	2,793,212	2,632,665
Total net position	520,832	718,989	843,063	2,278,757	2,203,365	1,872,098	2,799,589	2,922,354	2,715,161

TABLE 2 - CHANGES IN NET POSITION -- MODIFIED CASH BASIS
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE THREE YEARS ENDING DECEMBER 31, 2015

	Governmental Activities			Business-Type Activities			Total Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Receipts:									
Program receipts:									
Charges for services	197,727	159,901	204,451	5,501,456	5,107,255	4,748,170	5,699,183	5,267,156	4,982,621
Grants	6,362	5,825	15,056	2,800	2,500	2,500	9,162	8,325	17,556
General receipts:									
Property taxes	400,042	358,342	341,358				400,042	358,342	341,358
Sales taxes	434,426	434,574	413,505				434,426	434,574	413,505
Other taxes	72	84	108				72	84	108
Receipts from state	64,219	62,156	54,099				64,219	62,156	54,099
Receipts from county	6,170	6,999	4,280				6,170	6,999	4,280
Interest received	1,445	1,402	1,958				1,445	1,402	1,958
Rents and franchise f	20,489	18,422	19,215				20,489	18,422	19,215
Liquor operating agre	36,008	29,426	27,747				36,008	29,426	27,747
Miscellaneous	9,085	6,033	7,793				9,085	6,033	7,793
Total receipts	1,176,045	1,083,164	1,089,570	5,504,256	5,109,755	4,750,670	6,680,301	6,192,919	5,840,240
Disbursements:									
General government	289,709	305,752	271,584				289,709	305,752	271,584
Public safety	243,188	212,454	159,633				243,188	212,454	159,633
Public works	493,080	382,937	600,219				493,080	382,937	600,219
Culture and recreation	183,730	162,920	187,153				183,730	162,920	187,153
Economic development	114,980	24,700	161,407				114,980	24,700	161,407
Debt service	35,635	50,868	95,986				35,635	50,868	95,986
Intergovernmental	50,000	100,000					50,000	100,000	
Water operations				132,241	216,106	245,143	132,241	216,106	245,143
Electric operations				4,832,143	5,236,997	3,950,937	4,832,143	5,236,997	3,950,937
Sewer operations				476,988	245,385	219,616	476,988	245,385	219,616
Total disbursements	1,410,322	1,239,631	1,475,982	5,441,372	5,698,488	4,415,696	6,851,694	6,938,119	5,891,678
Excess of receipts over									
(under) disbursements:	(234,277)	(156,467)	(386,412)	62,884	(588,733)	334,974	(171,393)	(745,200)	(51,438)
Other financing sources (uses):									
Developer advances		29,522	262,078				0	29,522	262,078
Bond proceeds					920,000		0	920,000	
Interest received				12,508		2,229	12,508	0	2,229
Transfers			217,229			(217,229)	0	0	0
Sale of surplus propert	15,355	2,326				16,917	15,355	2,326	1,917
Compensation for propert	20,765	545	7,293				20,765	545	7,293
Net change in net posit	(198,157)	(124,074)	100,188	75,392	331,267	136,891	(122,765)	207,193	237,079
Net position:									
December 31, 2012			742,875			1,735,207			2,478,082
December 31, 2013		843,063	843,063		1,872,098	1,872,098		2,715,161	2,715,161
December 31, 2014	718,989	718,989		2,203,365	2,203,365		2,922,354	2,922,354	
December 31, 2015	520,832			2,278,757			2,799,589		

CITY OF VOLGA

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2015

	Primary Government			Component Units NOT AUDITED
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	520,832	821,881	1,342,713	228,237
Savings		915,273	915,273	
Certificates of deposit		541,603	541,603	22,431
Total assets	520,832	2,278,757	2,799,589	250,668
NET POSITION:				
Restricted for:				
Debt service		46,531	46,531	
Customer deposits		76,813	76,813	
Unrestricted	520,832	2,155,413	2,676,245	250,668
Total net position	520,832	2,278,757	2,799,589	250,668

See accompanying notes.

CITY OF VOLGA

BALANCE SHEET -- GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2015

	General Fund	TIF #1 Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	520,832		520,832
	-----	-----	-----
Total assets	520,832	0	520,832
	=====	=====	=====
FUND BALANCES:			
Nonspendable			0
Restricted			0
Committed - auditorium	60,000		60,000
Assigned - jetter	25,000		25,000
Unassigned	435,832		435,832
	-----	-----	-----
Total fund balances	520,832	0	520,832 *
	=====	=====	=====

* Also equals net assets on statement of net cash assets.

See accompanying notes.

CITY OF VOLGA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 -- MODIFIED CASH BASIS OF ACCOUNTING -- GOVERNMENTAL FUNDS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2015

	2015			2014		
	General	TIFF #1	Total	General	TIFF #1	Total
	Fund	Fund	Governmental	Fund	Fund	Governmental
	-----	-----	-----	-----	-----	-----
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	364,407	35,635	400,042	350,190	8,152	358,342
General sales and use taxes	434,426		434,426	434,574		434,574
Amusement tax	72		72	84		84
Licenses and permits:	5,424		5,424	4,364		4,364
Intergovernmental receipts:						
State shared receipts:						
Grants	6,362		6,362	5,825		5,825
Bank franchise tax	5,913		5,913	7,220		7,220
Motor vehicle commercial	1,746		1,746	1,723		1,723
Liquor tax reversion	10,994		10,994	9,921		9,921
Motor vehicle licenses (5%)	10,694		10,694	9,328		9,328
Fire insurance premium	8,581		8,581	8,080		8,080
Highway and bridge	26,291		26,291	25,884		25,884
County shared receipts:						
County road tax	312		312	312		312
Wheel tax	4,296		4,296	4,124		4,124
Payment in lieu of taxes	1,562		1,562	2,563		2,563
Share of brush chassie	36,119		36,119			
Township shared receipts - fire	7,475		7,475	7,475		7,475
Charges for goods and services:						
General government	336		336	5,544		5,544
Public safety - fire			0	9,500		9,500
Public works	2,415		2,415	3		3
Refuse collection	99,292		99,292	91,904		91,904
Culture and recreation	44,392		44,392	38,534		38,534
Fines and forfeitures:	2,274		2,274	1,889		1,889
Miscellaneous receipts:						
Interest received	1,445		1,445	1,402		1,402
Rents and franchise fees	20,489		20,489	18,421		18,421
Special assessment			0	689		689
Donations	9,085		9,085	6,033		6,033
Liquor operating agreements	36,008		36,008	29,426		29,426
Total receipts	1,140,410	35,635	1,176,045	1,075,012	8,152	1,083,164
Disbursements:						
Current:						
General government:						
Mayor and Council	30,059		30,059	25,869		25,869
Financial administration	217,283		217,283	211,531		211,531
Other	38,947		38,947	40,727		40,727
Public safety:						
Police	113,223		113,223	109,577		109,577
Fire	61,840		61,840	57,147		57,147
Public works:						
Highways and streets	145,670		145,670	153,424		153,424
Sanitation	95,591		95,591	89,913		89,913
Transit	11,000		11,000	13,800		13,800
Culture and recreation:						
Recreation	43,347		43,347	53,023		53,023
Pool	70,208		70,208	55,619		55,619
Parks	21,408		21,408	24,694		24,694
Auditorium	13,929		13,929	14,353		14,353
Economic development:	114,980		114,980	24,700		24,700
Debt service:						
2007 lease/purchase fire pumper:						
Principal	0		0	41,127		41,127
Interest	0		0	1,589		1,589
TIFF #1: interest		35,635	35,635		8,152	8,152
Intergovernmental	50,000		50,000	100,000		100,000
Capital outlay:	347,202		347,202	184,864	29,522	214,386
Total disbursements	1,374,687	35,635	1,410,322	1,201,957	37,674	1,239,631
Excess of receipts over (under) disbursements	(234,277)	0	(234,277)	(126,945)	(29,522)	(156,467)
Other financing sources (uses):						
Sale of surplus property	15,355		15,355	2,326		2,326
Compensation for damaged property	20,765		20,765	545		545
Advance from developer			0		29,522	29,522
Net change in fund balances	(198,157)	0	(198,157) *	(124,074)	0	(124,074)
Fund balances:						
January 1, 2014				843,063	0	843,063
December 31, 2014	718,989	0	718,989	718,989	0	718,989
December 31, 2015	520,832	0	520,832			

See accompanying notes.

* Also equals change in net cash assets on statement of cash activities.

CITY OF VOLGA

STATEMENT OF NET POSITION -- ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2015

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Assets:				
Cash and cash equivalents	246,145	311,453	264,283	821,881
Savings		868,545	46,728	915,273
Certificates of deposit	310,458	46,531	184,614	541,603
	-----	-----	-----	-----
Total assets	556,603	1,226,529	495,625	2,278,757
	=====	=====	=====	=====
 Net position:				
Restricted - debt service		46,531		46,531
Restricted - customer deposits	76,813			76,813
Unrestricted	479,790	1,179,998	495,625	2,155,413
	-----	-----	-----	-----
Total net position	556,603	1,226,529	495,625	2,278,757
	=====	=====	=====	=====

See accompanying notes.

CITY OF VOLGA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE YEAR ENDING DECEMBER 31, 2015

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Operating receipts:				
Charges for goods and services	268,611	4,761,159	294,340	5,324,110
Special surcharge		177,346		177,346
	-----	-----	-----	-----
Total operating receipts	268,611	4,938,505	294,340	5,501,456
	-----	-----	-----	-----
Operating disbursements:				
Personal services	31,367	176,778	34,722	242,867
Other current services	87,808	83,975	99,584	271,367
Cost of goods sold		3,905,192		3,905,192
Capital outlay	13,066	519,978	342,682	875,726
	-----	-----	-----	-----
Total operating disbursements	132,241	4,685,923	476,988	5,295,152
	-----	-----	-----	-----
Total operating income (loss)	136,370	252,582	(182,648)	206,304
Nonoperating receipts (disbursements):				
Operating grant		2,800		2,800
Interest received	3,034	6,773	2,701	12,508
Bond principal payments		(120,000)		(120,000)
Bond interest payments		(26,220)		(26,220)
	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	3,034	(136,647)	2,701	(130,912)
Income (loss) before transfers	139,404	115,935	(179,947)	75,392
Transfer in			200,000	200,000
Transfer (out)		(200,000)		(200,000)
	-----	-----	-----	-----
Change in net position	139,404	(84,065)	20,053	75,392
Net position:				
January 1, 2015	417,199	1,310,594	475,572	2,203,365
	-----	-----	-----	-----
December 31, 2015	556,603	1,226,529	495,625	2,278,757
	=====	=====	=====	=====

See accompanying notes.

CITY OF VOLGA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Operating receipts:				
Charges for goods and services	247,240	4,492,210	298,505	5,037,955
Special surcharge		69,300		69,300
	-----	-----	-----	-----
Total operating receipts	247,240	4,561,510	298,505	5,107,255
	-----	-----	-----	-----
Operating disbursements:				
Personal services	36,732	262,135	36,594	335,461
Other current services	92,940	274,294	69,855	437,089
Cost of goods sold		3,677,973		3,677,973
Capital outlay	86,434	1,004,095	138,936	1,229,465
	-----	-----	-----	-----
Total operating disbursements	216,106	5,218,497	245,385	5,679,988
	-----	-----	-----	-----
Total operating income (loss)	31,134	(656,987)	53,120	(572,733)
Nonoperating receipts (disbursements):				
Operating grant		2,500		2,500
Bond proceeds		920,000		920,000
Bond issue costs		(18,500)		(18,500)
	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	0	904,000	0	904,000
Income (loss) before transfers	31,134	247,013	53,120	331,267
Transfers - none				0
	-----	-----	-----	-----
Change in net position	31,134	247,013	53,120	331,267
Net position:				
January 1, 2014	386,065	1,063,581	422,452	1,872,098
	-----	-----	-----	-----
December 31, 2014	417,199	1,310,594	475,572	2,203,365
	=====	=====	=====	=====

See accompanying notes.

CITY OF VOLGA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE YEAR ENDING DECEMBER 31, 2015

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	252,708	4,864,291	278,437	5,395,436
Receipts from interfund services provided	15,903	74,214	15,903	106,020
Payments to employees	(31,367)	(176,778)	(34,722)	(242,867)
Payments to suppliers	(73,791)	(3,984,703)	(67,552)	(4,126,046)
Payments for capital assets	(13,066)	(519,978)	(342,682)	(875,726)
Payments for interfund services used	(14,017)	(4,464)	(32,032)	(50,513)
Net cash provided (used) by operating activities	----- 136,370	----- 252,582	----- (182,648)	----- 206,304
Noncapital financing activities:				
Operating grant		2,800		2,800
Transfer in (out)		(200,000)	200,000	0
Capital financing activities:				
Bond payments - principal		(120,000)		(120,000)
Bond payments - interest		(26,220)		(26,220)
Investing activities:				
Interest received	3,034	6,773	2,701	12,508
Purchase certificates of deposit	(2,082)	(531)	(3,283)	(5,896)
Net increase (decrease) in cash and cash equivalents	----- 137,322	----- (84,596)	----- 16,770	----- 69,496
Cash and cash equivalents:				
January 1, 2015	108,823	1,264,594	294,241	1,667,658
December 31, 2015	----- 246,145	----- 1,179,998	----- 311,011	----- 1,737,154
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	136,370	252,582	(182,648)	206,304
Net cash provided (used) by operating activities	----- 136,370	----- 252,582	----- (182,648)	----- 206,304

Noncash investing, capital and
 financing activities: None

See accompanying notes.

CITY OF VOLGA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	229,698	4,479,648	280,963	4,990,309
Receipts from interfund services provided	17,542	81,862	17,542	116,946
Payments to employees	(36,732)	(262,135)	(36,594)	(335,461)
Payments to suppliers	(73,780)	(3,948,188)	(33,607)	(4,055,575)
Payments for capital assets	(86,434)	(1,004,095)	(138,936)	(1,229,465)
Payments for interfund services used	(19,160)	(4,079)	(36,248)	(59,487)
Net cash provided (used) by operating activities	----- 31,134	----- (656,987)	----- 53,120	----- (572,733)
Noncapital financing activities:				
Operating grant		2,500		2,500
Capital financing activities:				
Bond proceeds		920,000		920,000
Bond issue costs		(18,500)		(18,500)
Investing activities:				
Purchase of certificates of deposit	(1,066)	(46,000)		(47,066)
Net increase (decrease) in cash and cash equivalents	----- 30,068	----- 201,013	----- 53,120	----- 284,201
Cash and cash equivalents:				
January 1, 2014	78,755	1,063,581	241,121	1,383,457
December 31, 2014	----- 108,823	----- 1,264,594	----- 294,241	----- 1,667,658
	=====	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	31,134	(656,987)	53,120	(572,733)
Net cash provided (used) by operating activities	----- 31,134	----- (656,987)	----- 53,120	----- (572,733)
	=====	=====	=====	=====

Noncash investing, capital and
 financing activities: None

See accompanying notes.

CITY OF VOLGA

 COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2015 AND DECEMBER 31, 2014

	2015				2014			
	Volga Housing & Redevelop. Commission Ending 3-31-2015	Country View Apartments Ending 3-31-2015	Volga Non-Profit Develop. Corporation Ending 12-31-2015	Total Component Units	Volga Housing & Redevelop. Commission Ending 3-31-2014	Country View Apartments Ending 3-31-2014	Volga Non-Profit Develop. Corporation Ending 12-31-2014	Total Component Units
ASSETS:								
Cash and cash equivalents	77,403	38,324	112,510	228,237	66,431	44,819	40,526	151,776
CDs		22,431		22,431		22,264		22,264
Total assets	<u>77,403</u>	<u>60,755</u>	<u>112,510</u>	<u>250,668</u>	<u>66,431</u>	<u>67,083</u>	<u>40,526</u>	<u>174,040</u>
NET POSITION:								
Unrestricted	77,403	60,755	112,510	250,668	66,431	67,083	40,526	174,040
Total net position	<u>77,403</u>	<u>60,755</u>	<u>112,510</u>	<u>250,668</u>	<u>66,431</u>	<u>67,083</u>	<u>40,526</u>	<u>174,040</u>

 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN NET POSITION - COMPONENT UNITS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE TWO YEARS ENDING DECEMBER 31, 2015

Operating receipts:								
Charges for goods and service	60,189	114,205	1,213	175,607	94,550	114,772		209,322
Sale of property				0	2,009		52,463	54,472
Total operating revenue	<u>60,189</u>	<u>114,205</u>	<u>1,213</u>	<u>175,607</u>	<u>96,559</u>	<u>114,772</u>	<u>52,463</u>	<u>263,794</u>
Operating disbursements:								
Personal (administration)		4,898		4,898		5,275		5,275
Other current costs	90,715	36,443	21,662	148,820	112,477	30,270	26,463	169,210
Capital purchases	2,021	6,968		8,989	103,922			103,922
Total operating disbursements	<u>92,736</u>	<u>48,309</u>	<u>21,662</u>	<u>162,707</u>	<u>216,399</u>	<u>35,545</u>	<u>26,463</u>	<u>278,407</u>
Total operating income (loss)	<u>(32,547)</u>	<u>65,896</u>	<u>(20,449)</u>	<u>12,900</u>	<u>(119,840)</u>	<u>79,227</u>	<u>26,000</u>	<u>(14,613)</u>
Nonoperating receipts (disbursements):								
Operation grants	41,183			41,183	26,577			26,577
Interest received	315	183	443	941	491	407	80	971
Principal paid		(28,764)		(28,764)		(27,157)		(27,157)
Interest paid		(43,643)		(43,643)		(49,026)		(49,026)
Total nonoperating receipts (disbursements)	<u>41,498</u>	<u>(72,224)</u>	<u>443</u>	<u>(30,283)</u>	<u>27,068</u>	<u>(75,776)</u>	<u>80</u>	<u>(48,628)</u>
Income (loss) before transfers and capital contributions	<u>8,951</u>	<u>(6,328)</u>	<u>(20,006)</u>	<u>(17,383)</u>	<u>(92,772)</u>	<u>3,451</u>	<u>26,080</u>	<u>(63,241)</u>
Capital contributions:								
Capital grants - City of Volga			91,990	91,990				
Capital grants	2,021			2,021				0
Change in net position	<u>10,972</u>	<u>(6,328)</u>	<u>71,984</u>	<u>76,628</u>	<u>(92,772)</u>	<u>3,451</u>	<u>26,080</u>	<u>(6,211)</u>
Net position:								
Beginning of period					159,203	63,632	14,446	237,281
End of period	66,431	67,083	40,526	174,040	66,431	67,083	40,526	174,040
End of period	<u>77,403</u>	<u>60,755</u>	<u>112,510</u>	<u>250,668</u>	<u>66,431</u>	<u>67,083</u>	<u>40,526</u>	<u>174,040</u>

See accompanying notes.

CITY OF VOLGA

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

	2015				2014			
	Volga Housing & Redevelop. Commission Ending 3-31-2015	Country View Apartments Ending 3-31-2015	Volga Non-Profit Develop. Corporation Ending 12-31-2015	Total Component Units	Volga Housing & Redevelop. Commission Ending 3-31-2014	Country View Apartments Ending 3-31-2014	Volga Non-Profit Develop. Corporation Ending 12-31-2014	Total Component Units
Cash flows from:								
Operating activities:								
Receipts from customers	60,189	114,205	1,213	175,607	94,550	114,772		209,322
Sale of property				0	2,009		52,463	54,472
Pymts to employees (admin)		(4,898)		(4,898)		(5,275)		(5,273)
Pymts to suppliers	(90,715)	(36,443)	(21,662)	(148,820)	(112,477)	(30,270)	(26,463)	(169,210)
Pymts for capital assets	(2,021)	(6,968)		(8,989)	(103,922)			(106,922)
Net cash provided (used) by operating activities	(32,547)	65,896	(20,449)	12,900	(119,840)	79,227	26,000	(14,613)
Noncapital financing activities:								
Operating grants	41,183			41,183	26,577			26,577
Capital financing activities:								
Capital grants	2,021		91,990	94,011				0
Debt service - principal		(28,764)		(28,764)		(27,157)		(27,157)
Debt service - interest		(43,643)		(43,643)		(49,026)		(49,026)
Investing activities:								
Interest received	315	183	443	941	491	407	80	978
Purchase CD		(167)		(167)		(22,264)		(22,264)
Net increase (decrease) in cash and cash equivalents	10,972	(6,495)	71,984	76,461	(92,772)	(18,813)	26,080	(85,505)
Cash and cash equivalents:								
Beginning of period					159,203	63,632	14,446	237,281
End of period	66,431	44,819	40,526	151,776	66,431	44,819	40,526	151,776
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	(32,547)	65,896	(20,449)	12,900	(119,840)	79,227	26,000	(14,613)
Net cash provided (used) by operating activities	(32,547)	65,896	(20,449)	12,900	(119,840)	79,227	26,000	(14,613)
Noncash investing, capital and financing activities: None								

See accompanying notes.

CITY OF VOLGA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Volga uses a modified cash basis of accounting, which does not conform to generally accepted accounting principles applicable to government entities in the United States of America. See note 1c.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Volga's (City) Governing Board.

The City's officials at December 31, 2015 are:

Governing Board:	City Administrator:
Randy Santema, Mayor	Andrew Bremseth
Ken Fideler, President	
Roger Anderson	Finance Officer:
Rod Hageman	Ashley Rentsch
Wendell Karlstad	
Dave Rankin	Attorney:
Kelly VanderWal	Steven Britzman

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:

- Primary Government: - The City of Volga
- Component Units:
 - Volga Housing and Redevelopment Commission
 - Country View Apartments
 - Volga Non-Profit Development Corporation

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Volga consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon application of criteria above, the City of Volga has 3 component units in these financial statements: Volga Housing and Redevelopment Commission (VHRC), Country View Apartments (CVA) and Volga Non-Profit Development Corporation. These legally separate component units represent 100% of the balances and activity in the aggregate discretely presented component unit column of these financial statements.

The City appoints the five members to VHRC's governing board and approves its annual operating plan. Also, VHRC is required by statute to get the City's approval before it can start any specific project or issue debt. (SDCL 11-7-24, 11-7-49, and 11-7-53)

VHRC is a non-profit organization organized to provide 20 units of residential housing rentals to elderly and lower income individuals, complying with the requirements of the U.S. Department of Housing and Urban Development. VHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7. CVA is a separate apartment complex, owned and managed by VHRC.

VHRC does elect its own chairperson and recruits its own employees. VHRC and CVA have a March 31st fiscal year-end. Except for utilities, no significant transactions occurred between the City and VHRC or CVA. Separately issued financial statements of VHRC and CVA may be obtained from: 601 Samara Avenue, Volga, SD 57071.

The Volga Non-Profit Development Corporation is considered to be a component unit of the City of Volga because the City's governing board can impose its will on the Volga Non-Profit Development Corporation. Separately issued financial statements of the Volga Non-Profit Development Corporation are available at Volga City Hall.

b. Basis of Presentation:

Government-wide Statements:

The modified cash basis of accounting financial statement of net position and statement of activities display information about the City of Volga as a whole. These statements include all funds of the primary government, including component units (if any), but not including fiduciary funds (if any). These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The aggregate discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above, and may be classified as either governmental or business-type activities.

The statement of net position reports all cash and cash equivalents of the City. Net position is displayed in two components, restricted (if any), distinguishing between major categories of restrictions, and unrestricted.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of business-type activities of the City. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes and interest, are presented as general receipts.

Fund Financial Statements:

The fund financial statements present the City's funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its cash and cash equivalents, net position, receipts and disbursements. Funds are grouped in 3 major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise groupings. A fund is considered a major fund if it is the primary operating fund of the City or it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Debt Service Funds - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The City has the following debt service fund:

Tax Increment Financing (TIF #1) District Fund - A fund allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt (developer advance) issued to finance a public improvement. The City accounts for one legally separate TIF debt issue through its TIF #1 debt service fund. TIF #1 debt service fund is a major fund.

Enterprise Funds:

Enterprise Funds - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Volga. The water fund is a major fund.

Electric fund - A fund allowed by SDCL 9-39-1 and 9-39-26 to provide electric services to customers within the City of Volga. The electric fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Volga. The sewer fund is a major fund.

Fiduciary Funds:

Fiduciary funds - fiduciary funds are never considered to be major funds.

The City has no fiduciary funds.

c. Basis of Accounting:

Basis of accounting refers to when revenues (receipts) and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements.

These financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. The cash basis has been modified by including certificates of deposit whose maturity when purchased is more than 90 days and investments.

This basis recognizes only cash, certificates of deposit, money market investments, net position, receipts and disbursements. Consequently, revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financials would be presented on the full accrual basis of accounting.

d. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of 3 months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the years ending December 31, 2015 and December 31, 2014, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except for certificates of deposit whose maturity is greater than 3 months when purchased in the water fund of \$307,310 in 2014 and 2015 and in the sewer fund of \$181,331 in 2014 and 2015.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide statement of activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating receipts, if any, such as grants, investment earnings, and transfers in, result from non-exchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

Equity is classified as net position and is displayed in two components:

1. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when a disbursement is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or the Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Volga fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		0
Committed	Auditorium	Several Ordinances	60,000
Assigned	Jetter capital outlay	Resolution	25,000
Unassigned	General		435,832

			520,832

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/ contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The City has no special revenue funds.

2. DEPOSITS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2015 were as follows: Insured \$731,342, Collateralized ** \$2,146,558 for a total of \$2,877,900.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2015 was \$2,799,589.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Deposit Credit Risk - State law limits eligible deposits for the City, as discussed above. The City has no deposit policy that would further limit its deposit choices.

Deposit Custodial Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2015, the City's deposits in financial institutions were not exposed to custodial deposit risk.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited in any one institution. All of the City's deposits are with First National Bank - Volga and Dakotaland Federal Credit Union.

Assignment of Deposit Income - State law allows income from deposits to be credited to either the general fund or the fund making the deposit. The City's policy is to credit all income from deposits to the fund making the deposit.

3. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9

requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The City did not have investments during the two years ending December 31, 2015.

Investment Risk - State law limits eligible investments of the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. For the two years ending December 31, 2015, the City had no investments.

Assignment of Investment Income - State law allows income from investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

4. RESTRICTED NET POSITION

The following are restricted amounts shown on the statement of net position.

Purpose:	Restricted By:	Government-Wide	Business-Type
Debt service	Covenant		46,531
Customer deposits	Contract		76,813
		-----	-----
		0	123,344

5. LONG-TERM DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 38. The City did not have any short-term or conduit debt in 2014 or 2015.

6. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

2015:	Governmental	Enterprise	Purpose
Electric		(200,000)	Capital project
Sewer		200,000	Capital project
	-----	-----	
	0	0	

2014: None

7. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/ modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivi-

sions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of the employee's final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 thereafter of the employee's final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefit are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - > 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
 - > 80.0% to 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ending December 31, 2015, 2014, and 2013 were \$20,623, \$23,480, and \$23,744 (employer's share) respectively, equal to the required contribution each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflow of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the City as of the measurement period ending June 30, 2015 and potentially reported by the City as of December 31, 2015 are as follows:

Proportionate share of SDRS net position	
restricted for pension benefits	\$ 2,055,096
Less: proportionate share of total pension liability	1,974,214

Proportionate share of net pension liability (asset)	\$ (80,882)

The net pension asset was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2015 the City's proportion was .000190701.

For the year ended December 31, 2015 the City did not recognize pension expense (revenue) because the City is on the modified cash basis of accounting.

At December 31, 2015 the City potentially could have reported deferred outflow of resources and deferred inflow of resources related to the pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 16,561	
Change in assumptions	64,134	
Net difference between projected and actual earnings on pension plan investments	49,409	\$ 119,343
Changes in proportion and difference between City's contributions and proportionate share of contributions City's contributions subsequent to the measurement date	0 10,312	11,058
	----- \$ 140,416 (10,312) (130,401) -----	----- \$ 130,401 -----
To be amortized over 4 years	\$ (297) =====	

There is \$10,312 reported as deferred outflow of resources related to pensions resulting from City's contributions subsequent to the measurement date that can potentially be recognized as a reduction of the net pension liability in the year ending December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions would potentially be recognized in pension expense (revenue) as follows:

Year Ending December 31, 2016	\$ (106)
December 31, 2017	(106)
December 31, 2018	284
December 31, 2019	(369)
	----- \$ (297) =====

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Discount rate	7.25% through 2016 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investments:

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Standard (ie: the Council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see discussion of the pension plan's investment policy above) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%

	100.0%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25% through 2016 and 7.50% thereafter. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Asset to Changes in the Discount Rate:

The following presents the School District's proportionate share of SDRS's net pension liability (asset) calculated using the discount rate of 7.25% through 2016 and 7.50% thereafter, as well as the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25/6.50%) or 1% higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School District's share of SDRS net pension liability (asset)	\$ 203,578 liability	\$ (80,882) asset	\$ (312,835) asset

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

8. SUPPLEMENTAL RETIREMENT PLAN

The City offers its employees a Supplemental Retirement Plan option and a Special Pay Plan through the South Dakota Retirement System. The City does not offer any "Other Post Employment Benefits".

9. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

10. JOINT POWERS AGREEMENT

In 2006 the City joined the Regional Economic Development Partnership coordinated by the Brookings Economic Development Corporation (BEDC). The purpose of the Partnership is to (1) establish a regional economic development plan, (2) cooperation in such areas as joint bidding, fire and police protection, animal control, code enforcement, and mosquito abatement, and (3) availability of "Technical Assistance" from City of Brookings staff. In 2014 the City of Volga paid dues of \$5,000 to BEDC for participation in the Partnership. In 2015 the City of Volga paid dues of \$5,000 to BEDC for participation in the Partnership.

At December 31, 2015, the BEDC had total UNAUDITED equity of \$3,042,189 and \$191,789 in long-term debt. The BEDC can be reached through the City of Brookings at P.O. Box 270, Brookings, SD 57006 or by calling 605.697.8103.

11. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the two years ending December 31, 2015 the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial carrier.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for law enforcement liability, general liability, officials liability, and automobile insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$5,000,000 upper limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$1,500 maximum deductible for its various coverages except earthquake and flood coverage which has a \$250,000 deductible.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

At December 31, 2015 the City has \$18,618 of vested benefits on deposit in the SDPAA Cumulative Reserve Fund.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during the two years ending December 31, 2015 and none are expected in 2016.

12. LITIGATION

At December 31, 2015, the City may be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

13. MAJOR CUSTOMER

Approximately 60% of the City's electrical receipts and 60% of its sewer receipts are received from South Dakota Soybean Processors.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill. Solid waste is trucked to the Pierre landfill where normal tipping fees are paid.

In November 2015 the component unit, Country View Apartments, was sold.

In 2016 the City entered into Tax Increment District Project Number Two with a developer for an amount not to exceed \$696,900.

In 2016 the City entered into Tax Increment District Project Number Three with a developer for an amount not to exceed \$702,000.

In 2016 the City was notified that it would not be necessary for the City to make its 2016 contribution of \$50,000 to the Performing Arts Center.

In 2016 the City began studying the development of an Activity Center, which is expected to cost \$2.75 million with funding from grants and local sources.

CITY OF VOLGA

 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2015

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Receipts:						
Receipts from local sources:						
Taxes:	742,667			742,667	(742,667)	
Ad valorem taxes				0	364,407	
General sales and use taxes				0	434,426	
Amusement tax				0	72	
Licenses and permits:	4,000			4,000	5,424	
Intergovernmental receipts:	68,275		22,010	90,285	(90,285)	
State shared receipts:						
Grants				0	6,362	
Bank franchise tax				0	5,913	
Motor vehicle commercial				0	1,746	
Liquor tax reversion				0	10,994	
Motor vehicle licenses (5%)				0	10,694	
Fire insurance premium				0	8,581	
Highway and bridge				0	26,291	
County shared receipts:						
Road tax				0	312	
Wheel tax				0	4,296	
Payment in lieu of taxes				0	1,562	
Share of brush chassie				0	36,119	
Townships: fire protection				0	7,475	
Charges for goods and services:	127,700			127,700	(127,700)	
General government				0	336	
Public works				0	2,415	
Refuse collection				0	99,292	
Culture and recreation				0	44,392	
Fines and forfeitures:	1,750			1,750	2,274	
Miscellaneous receipts:	51,350			51,350	(51,350)	
Interest received				0	1,445	
Rents and franchise fees				0	20,489	
Donations				0	9,085	
Liquor operating agreements				0	36,008	
Total receipts	995,742	0	22,010	1,017,752	1,140,410	122,658
Disbursements:						
Current:						
General government:						
Mayor and Council	30,080			30,080	30,059	21
Contingency	50,000			50,000		50,000
Amount transferred		(12,650)		(12,650)		(12,650)
Financial administration	227,740			227,740	220,703	7,037
Other	43,646			43,646	38,947	4,699
Public safety:						
Police	113,770			113,770	113,223	547
Fire	100,000	8,000	22,010	130,010	129,965	45
Public works:						
Highways and streets	310,016	1,600	125,000	436,616	386,489	50,127
Sanitation	95,206	550		95,756	95,591	165
Transit	11,000			11,000	11,000	0
Culture and recreation:						
Recreation and pool	143,257	2,500		145,757	138,543	7,214
Parks	45,388			45,388	31,258	14,130
Auditorium	19,534			19,534	13,929	5,605
Economic development	123,250			123,250	114,980	8,270
Intergovernmental	50,000			50,000	50,000	
Total disbursements	1,362,887	0	147,010	1,509,897	1,374,687	135,210
Excess of receipts over (under) disbursements	(367,145)	0	(125,000)	(492,145)	(234,277)	257,868
Other financing sources (uses):						
Sale of surplus property	215,000			215,000	15,355	(199,645)
Compensation for damaged property				0	20,765	20,765
Net change in fund balance	(152,145)	0	(125,000)	(277,145)	(198,157)	78,988
Fund balance:						
January 1, 2015	718,989			718,989	718,989	0
December 31, 2015	566,844	0	(125,000)	441,844	520,832	78,988

CITY OF VOLGA

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE ONE YEAR ENDING DECEMBER 31, 2014

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:	647,222			647,222	(647,222)
Ad valorem taxes				0	350,190
General sales and use taxes				0	434,574
Amusement tax				0	84
Licenses and permits:	1,000			1,000	4,364
Intergovernmental receipts:	93,231			93,231	(93,231)
State shared receipts:					
Grants				0	5,825
Bank franchise tax				0	7,220
Motor vehicle commercial				0	1,723
Liquor tax reversion				0	9,921
Motor vehicle licenses (5%)				0	9,328
Fire insurance premium				0	8,080
Highway and bridge				0	25,884
County shared receipts:					
Road tax				0	312
Wheel tax				0	4,124
Payment in lieu of taxes				0	2,563
Townships: fire protection				0	7,475
Other				0	0
Charges for goods and services:	130,900			130,900	(130,900)
General government				0	5,544
Public safety - fire				0	9,500
Public works				0	3
Refuse collection				0	91,904
Culture and recreation				0	38,534
Fines and forfeitures:	2,000			2,000	1,889
Miscellaneous receipts:	61,399			61,399	(61,399)
Interest received				0	1,402
Rents and franchise fees				0	18,421
Special assessments				0	689
Donations				0	6,033
Liquor operating agreements				0	29,426
Total receipts	935,752	0	0	935,752	1,075,012
Disbursements:					
Current:					
General government:					
Mayor and Council	27,030			27,030	25,869
Contingency	50,000			50,000	50,000
Amount transferred		(33,200)		(33,200)	(33,200)
Financial administration	212,239	27,200		239,439	239,156
Other	44,812			44,812	40,727
Public safety:					
Police	110,651			110,651	109,577
Fire	105,350			105,350	102,877
Public works:					
Highways and streets	318,495			318,495	249,702
Sanitation	91,166			91,166	89,913
Transit	13,800			13,800	13,800
Culture and recreation:					
Recreation and pool	145,227			145,227	121,866
Parks	37,724			37,724	26,701
Auditorium	19,266			19,266	14,353
Economic development	26,000	6,000		32,000	24,700
Debt service:	42,978			42,978	42,716
Intergovernmental expenditure	100,000			100,000	100,000
Total disbursements	1,344,738	0	0	1,344,738	1,201,957
Excess of receipts over (under) disbursements	(408,986)	0	0	(408,986)	(126,945)
Other financing sources (uses):					
Sale of surplus property	215,000			215,000	2,326
Compensation for damaged property				0	545
Net change in fund balance	(193,986)	0	0	(193,986)	(124,074)
Fund balance:					
January 1, 2014	843,063			843,063	843,063
December 31, 2014	649,077	0	0	649,077	718,989

CITY OF VOLGA

NOTES TO SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. There were two supplemental budgets in 2015 and none in 2014. See page 35 and 36 for more information.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. The budget for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because the City uses the modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay expenditure information as a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital expenditure on the governmental funds statement of receipts, disbursements and changes in fund balance. However, in the budgetary supplementary information schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF VOLGA

SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

	Beginning 12-31-13	2014 Additions (Deletions)	2015 Additions (Deletions)	Ending Balance Governmental Activities 12-31-15	Ending Balance Business-Type Activities 12-31-15	Principal Payment Due In 2016
GOVERNMENTAL						
2009 Lease-Purchase of Fire Pumper:						
Original bank lease-purchase of \$188,863 after down payment of \$90,015 made to vendor in 2008.						
Maturing on March 18, 2014						
Interest Component at 4.40%						
Purpose: Purchase Fire Pumper Truck						
Paid by the General Fund	41,127	(41,127)		0		0
2012 Developer Advance to TIF #1:						
Total advance to date: \$359,309						
Maximum advance of \$510,885 inclusive of interest Repayment as tax incremental revenues are received over a period of 20 years		29,522 <-- additional advance				
Paid by TIF #1 fund	329,787	(8,152)	(35,635)	315,522		18,000
Totals	370,914	(19,757)	(35,635)	315,522		18,000

BUSINESS-TYPE						
2014 Electric Revenue Bond:						
Original issue of \$920,000						
Maturing on August 1, 2021						
Interest at 2.85%						
Callable on or after August 6, 2019						
Payable exclusively out of pledged revenue of the electric fund. Not a general obligation of the City of Volga.						
Paid by the electric fund	0	(920,000)	120,000		(800,000)	124,000
Totals	0	(920,000)	120,000	0	(800,000)	124,000

Payment Schedules:	Total Payment	Principal	Interest	Remaining Balance
2012 Developer Advance to TIF #1: (estimated payments inclusive of interest)				
2016	18,000	18,000	0	297,522
2017	18,000	18,000	0	279,522
2018	18,000	18,000	0	261,522
2019	18,000	18,000	0	243,522
2020	18,000	18,000	0	225,522
2021-2025	88,000	88,000	0	137,522
2026-2030	89,000	89,000	0	48,522
2031-2033	48,522	48,522	0	0
	315,522	315,522	0	
2014 Electric Revenue Bond:				
2016	147,180	124,000	23,180	676,000
2017	147,533	128,000	19,533	548,000
2018	147,835	132,000	15,835	416,000
2019	148,021	136,000	12,021	280,000
2020	146,113	138,000	8,113	142,000
2021	146,103	142,000	4,103	0
	882,785	800,000	82,785	

CITY OF VOLGA
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0190701%	(80,882)	343,719	23.53%	104.1%
June 30, 2014	0.0224904%	(162,034)	397,993	40.71%	107.3%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF VOLGA
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

SDRS Measurement Date Year Ended (1)	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2015	20,890	20,623	267	343,719	6.00%
June 30, 2014	23,598	23,880	(282)	397,993	6.00%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

REPORT ON
COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
City of Volga
Volga, South Dakota

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Volga (City), Brookings County, South Dakota, as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated July 21, 2016 which was unmodified except for a disclaimer of opinion on the aggregate discretely presented component units, which I was not engaged to audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Volga's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the City of Volga in a separate Letter of Comments dated July 21, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Volga's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Volga's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Volga's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did note minor matters involving internal control that I reported to the governing body and management of the City of Volga in a separate Letter of Comments dated July 21, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of City of Volga's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Volga's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

July 21, 2016

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and "E".

CITY OF VOLGA
DECEMBER 31, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

There are no current written audit findings.