

# **CITY OF WALL, SOUTH DAKOTA**

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015



RAPID CITY, SOUTH DAKOTA  
GILLETTE, WYOMING



**City of Wall, South Dakota**  
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**December 31, 2015**

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Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council  
City of Wall, South Dakota  
Wall, South Dakota

We 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 financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wall, South Dakota as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the City of Wall, South Dakota's basic financial statements and have issued our report thereon dated August 04, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and management's responses as items 2015-001, 2015-002, 2015-003, and 2015-004 that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wall, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and management's responses as item 2015-004.

### City of Wall, South Dakota's Response to Findings

The City of Wall, South Dakota's responses to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. The City of Wall, South Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, LTD". The signature is written in a cursive style.

Casey Peterson & Associates, LTD

Rapid City, South Dakota  
August 04, 2016

**City of Wall, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2015**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

Material Weakness

Internal Control Related to Adequate Segregation of Duties

2015-001 *Condition:* The small size of the City limits the ability to separate incompatible accounting functions or processes such as maintenance of assets and recording of assets.

*Criteria:* Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. The City has a general lack of segregation of duties, which is a fundamental concept in a good system of internal controls.

We specifically noted a lack of review and approval of general journal entries, utility billing, and cash receipts cycle.

*Cause:* The number of office personnel prevents proper segregation of duties and limits the oversight or monitoring of key accounting functions.

*Effect:* There is a potential that intentional or unintentional errors could be made and not be detected.

*Recommendation:* Management of the City should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control perspective. Under these conditions, the most effective controls lie in management's knowledge of matters relating to the operations of the City. We specifically recommend all reconciliations and journal entries be reviewed by someone other than the person primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger. We also recommend that another staff person review utility adjustment reports on a monthly basis and compare it to the utility adjustments already approved to ensure that the utility adjustments were complete at the time of the review and no other adjustments were performed after the review. Reviews should be documented by initialing the reconciliations and/or other supporting documentation. We also suggest that the City implement a formal approval process by the Council for utility billing adjustments. If the City does not have adequate staff resources, or an individual internally that possesses the proper accounting knowledge, we recommend that the City engage a third party to perform annual surprise audits related to the cycles described above.

*Management's Response:* Management agrees with the finding and related recommendations. The City continues to have the Chamber Director maintain a log of customer payments in the point-of-sale module which is then compared to the deposit slips. If the Chamber Director is unavailable and a customer brings in cash, the Finance Officer will create the customer's receipt. The Chamber Director reviews the bank reconciliation which includes the money receipts, the money transfers from the money market account to the checking account, and the journal entries made in the money market accounts. The Chamber director also reviews any adjustments made in the utility billing and any journal entries made to correct errors to fund accounts. All documents are initialed by the person reviewing them.

**City of Wall, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2015**

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Material Weakness

Internal Control Over Preparation of the Financial Statements and Related Notes

2015-002 *Condition:* As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This finding has been reported in previous audits.

*Criteria:* Establishing internal controls over the preparation of the financial statements, and drafting the financial statements is the responsibility of management.

*Cause:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect:* The City engages its auditors to draft the financial statements. There is a potential that errors could occur and not be detected.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. If management is unwilling to accept risks associated with this condition, we recommend that management develop a system of internal controls to ensure proper reporting of the financial statements and notes to the financial statements. Management could also engage a separate accounting firm to assist in the preparation of the annual financial statements.

*Management's Response:* Management will continue to work on developing a system of internal controls to ensure proper reporting of the financial statements. Management believes that because there is a single person that is responsible for all the duties in the office more time is needed to achieve this goal.

Material Weakness

Internal Control Over Account Reconciliations

2015-003 *Condition:* The City does not have an appropriate system of internal controls to monitor account reconciliations. During the audit, we noted that beginning equity was not reconciled and items had been posted directly to fund balance accounts. Adjustments were proposed to correct fund balances. Additionally, a material adjustment was proposed to correct an improper entry for transfers and expense.

*Criteria:* Establishing internal controls over monitoring is a critical component of a good system of internal control.

*Cause:* The City does not have an internal control system designed to provide for monitoring account reconciliations.

*Effect:* Adjustments were required to correct fund balances, transfers, and expenses.

*Auditor's Recommendation:* The City should avoid posting adjustments directly to any equity accounts. Training should be provided to the individual responsible for the accounting function to help prevent or reduce the likelihood of accounting errors. We also recommend that the finance office perform a review of equity account activity at the end of each fiscal year to ensure that the accounts contain only appropriate entries.

**City of Wall, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2015**

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*Management's Response:* Management agrees that training may be helpful and will contact the auditing firm when there are questions with the transfers and will review the equity account activity at the end of each fiscal year.

Material Weakness and Noncompliance  
Internal Control Over Compliance with State Statute

2015-004 *Condition:* During our review of statutory compliance, we noted that the City over-expended the budgeted appropriation for transfers out of the Gross Receipts Tax Fund. The City typically approves the transfer of funds through the original budget and budget supplements; however, the amount transferred exceeded what was approved in the budget and supplement.

*Criteria:* According to SDCL 9-21-26.1, the City may transfer surplus money of one fund to another through a two-thirds vote of the governing body. Further, SDCL 9-21-9 limits expenditures to the amount appropriated for such purposes in the annual appropriation resolution.

*Cause:* The City Council did not perform a budget to actual comparison to identify overages and did not approve transfers out of the Gross Receipts Tax Fund in the amount of \$5,277.

*Effect:* The City is not in compliance with SDCL 9-21-26.1 and SDCL 9-21-9.

*Auditor's Recommendation:* The City should perform a review of budget to actual amounts, including transfers, on a monthly basis to ensure that any necessary supplements are performed and to ensure that transfers are approved by the City Council.

*Management's Response:* Management agrees to the need to review a report on the budget to actual amounts and the transfers on a monthly basis. Providing a monthly report for the city council to review could ensure another set of eyes looking at the financials, since it is one person in the office doing everything and raises the risk for oversights.

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## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Wall, South Dakota  
Wall, South Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wall, South Dakota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; 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 also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgment, including the assessment of the risks 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Wall, South Dakota as of December 31, 2015, and the respective changes in its modified cash basis position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### Basis of Accounting

We draw attention to Note 1 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. Our opinions are not modified with respect to this matter.

### Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wall, South Dakota's basic financial statements. Management's discussion and analysis, budgetary comparison schedules, and schedule of municipal officials on pages 9 - 16, 44 - 50, and 51, respectively, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 04, 2016 on our consideration of the City of Wall, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wall, South Dakota's internal control over financial reporting and compliance.



Casey Peterson & Associates, LTD

Rapid City, South Dakota

August 04, 2016

**City of Wall, South Dakota**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2015**

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This section of the City of Wall's (the City) financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the City's receipts generated from charges for services, taxes and other receipts of the governmental and business-type activities were \$558,316 more than the \$1,819,010 governmental and business-type activities disbursements. This is an increase from the prior year when receipts exceeded disbursements by \$547,777.
- In the City's business-type activities, charges for services increased by 5.12% to \$554,668 and disbursements increased by 3.37%.
- The total cost of the City's programs shows a decrease this year. This decrease is primarily related minimal expenses needed in the Wastewater Fund after the upgrade to the system.
- The general fund reported receipts over disbursements of \$544,817 due to an increase in grants, sales and use tax and state revenue.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

**Government-wide Statements**

The government-wide statements report information about the City as a whole. The statement of net position includes only the government's cash assets. All of the current year's activity is accounted for in the statement of activities when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** - This category includes most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, waste water, and solid waste systems services are included here.

See independent auditor's report.

**City of Wall, South Dakota**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2015**

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**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- Governmental Funds - Most of the City's basic services are included in the governmental funds.
- Proprietary Funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. The 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 are recorded when they result from cash transactions.

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

See independent auditor's report.

**City of Wall, South Dakota  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2015**

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

<b>Major Features of the City of Wall's Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<u>Fund Statements</u>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire, and parks	Activities the City operates similar to private businesses, the water, sewer, and solid waste systems
Required Financial Statements	*Statement of Net Position - Modified Cash Basis *Statement of Activities - Modified Cash Basis	*Balance Sheet - Modified Cash Basis *Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis	*Statement of Net Position - Modified Cash Basis *Statement of Cash Receipts, Disbursements and Changes in Net Position - Modified Cash Basis
Accounting Basis and Measurement Focus	Modified cash basis accounting	Modified cash basis accounting	Modified cash basis accounting
Type of Asset Information	All assets that meet the definition of cash or cash equivalents	Only assets that meet the definition of cash or cash equivalents.	All assets that meet the definition of cash or cash equivalents
Type of Inflow/Outflow Information	All receipts and disbursements during year when cash is received or paid	Receipts for which cash is received during the year; disbursements when goods or services when paid	All receipts and disbursements during year when cash is received or paid

See independent auditor's report.

**City of Wall, South Dakota  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position - Modified Cash Basis**

The City's combined net position increased by 17.6% between fiscal year 2015 and 2014.

**Table A-1**

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	
Current and Other Assets	\$ 2,775,441	\$ 3,323,192	\$ 397,132	\$ 407,696	\$ 3,172,573	\$ 3,730,888	17.6%
Total Assets	<u>\$ 2,775,441</u>	<u>\$ 3,323,192</u>	<u>\$ 397,132</u>	<u>\$ 407,696</u>	<u>\$ 3,172,573</u>	<u>\$ 3,730,888</u>	17.6%
Net Position:							
Restricted	110,704	133,831	3,805	3,730	114,509	137,561	20.1%
Unrestricted	<u>2,664,737</u>	<u>3,189,361</u>	<u>393,327</u>	<u>403,966</u>	<u>3,058,064</u>	<u>3,593,327</u>	17.5%
Total Net Position	<u>\$ 2,775,441</u>	<u>\$ 3,323,192</u>	<u>\$ 397,132</u>	<u>\$ 407,696</u>	<u>\$ 3,172,573</u>	<u>\$ 3,730,888</u>	17.6%
Percentage Increase in Net Position	16.6%	19.7%	2.2%	2.7%	2.3%	17.6%	

The City's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. The restricted balance above consists of the Gross Receipts Tax Fund and Shearer Addition. There was an increase in restricted net position during 2015 due Gross Receipts Tax Fund receipts exceeding expenditures and transfers during the fiscal year.

The remaining balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City was able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Although no longer reported on the face of the Statement of Net Position- Modified Cash Basis, the governmental activities and business-type activities have long-term debt commitments of \$570,969 and \$123,825, respectively at December 31, 2015. Total payments of \$112,605 were made during the year, including interest. Commitments consist of equipment financing and debt to complete street, water, and sewer projects.

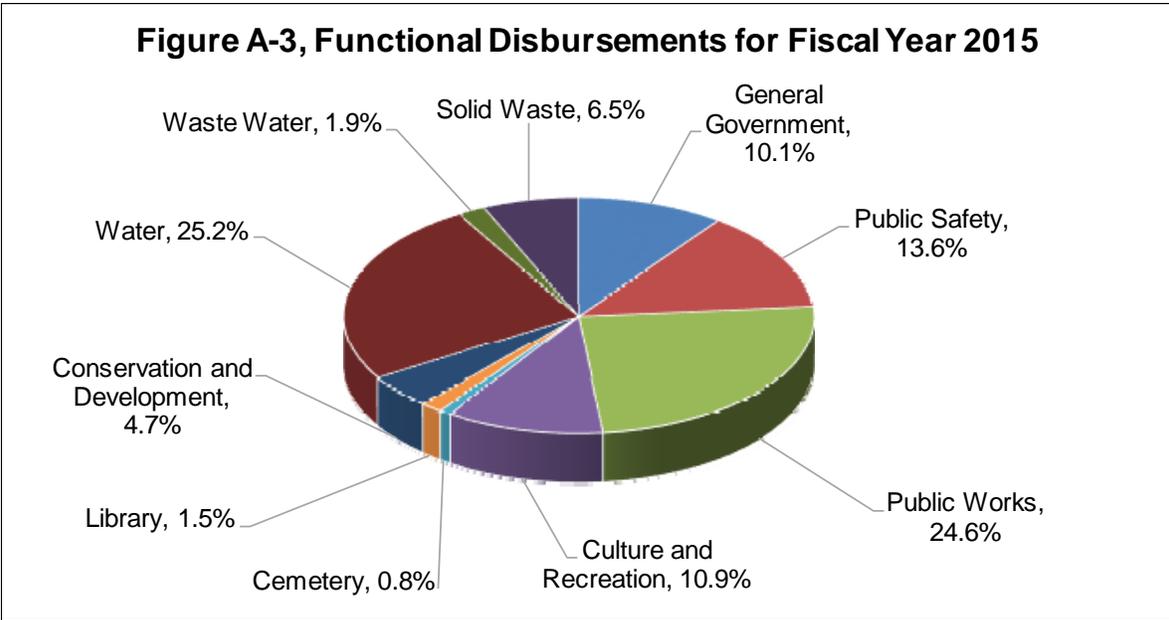
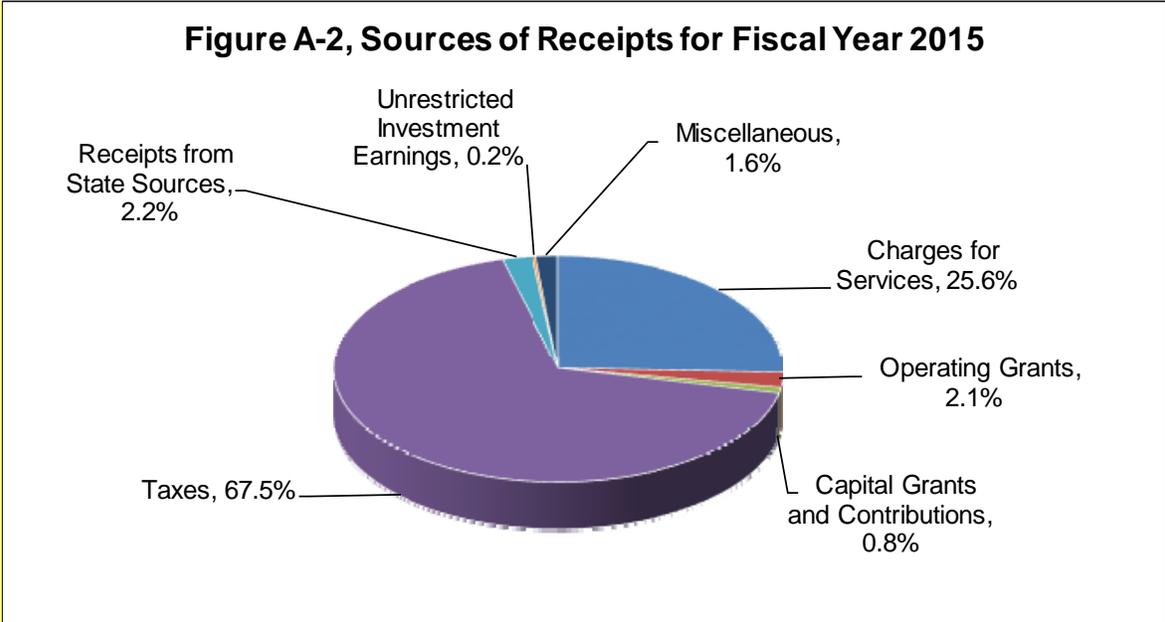
See independent auditor's report.

**City of Wall, South Dakota  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2015**

**Changes in Net Position**

The City's total receipts were \$2,377,326 (see Table A-2). Well over half of the City's receipts come from charges for services and taxes; with nearly 26 cents of every dollar raised coming from charges for services (primarily water, waste water, and solid waste operations) and 68 cents of every dollar raised coming from some type of tax. (See Figure A-2). The remainder comes from state-shared receipts, interest earnings, capital grants and contributions, and miscellaneous items.

The total cost of all programs and services decreased in 2015. The City's disbursements cover a range of services (road maintenance, water system services and sewer system services). (See Figure A-3)



See independent auditor's report.

**City of Wall, South Dakota**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2015**

**Governmental Activities**

Table A-2 and the narrative that follows consider the operations of the government-wide activities.

Table A-2  
Changes in Net Position - Modified Cash Basis

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	
<b>Receipts</b>							
Program Receipts							
Charges for Services	\$ 37,840	\$ 53,306	\$ 527,652	\$ 554,668	\$ 565,492	\$ 607,974	7.5%
Operating Grants and Contributions	48,394	50,305	-	-	48,394	50,305	3.9%
Capital Grants and Contributions	160,760	18,660	-	-	160,760	18,660	-88.4%
General Receipts							
Taxes	1,494,406	1,605,421	-	-	1,494,406	1,605,421	7.4%
Receipts from State Sources	49,789	52,488	-	-	49,789	52,488	5.4%
Unrestricted Investment Earnings	3,913	5,238	594	550	4,507	5,788	28.4%
Miscellaneous	29,274	36,690	-	-	29,274	36,690	25.3%
<b>Total Receipts</b>	<u>1,824,376</u>	<u>1,822,108</u>	<u>528,246</u>	<u>555,218</u>	<u>2,352,622</u>	<u>2,377,326</u>	1.1%
<b>Disbursements</b>							
General Government	170,765	185,429	-	-	170,765	185,429	8.6%
Public Safety	179,406	246,638	-	-	179,406	246,638	37.5%
Public Works	577,397	447,998	-	-	577,397	447,998	-22.4%
Culture and Recreation	176,480	197,566	-	-	176,480	197,566	11.9%
Cemetery	6,630	14,990	-	-	6,630	14,990	126.1%
Library	24,637	27,296	-	-	24,637	27,296	10.8%
Conservation and Development	76,392	85,989	-	-	76,392	85,989	12.6%
Water	-	-	335,837	459,146	335,837	459,146	36.7%
Waste Water	-	-	142,735	35,153	142,735	35,153	-75.4%
Solid Waste	-	-	114,566	118,805	114,566	118,805	3.7%
<b>Total Disbursements</b>	<u>1,211,707</u>	<u>1,205,906</u>	<u>593,138</u>	<u>613,104</u>	<u>1,804,845</u>	<u>1,819,010</u>	0.8%
Excess (Deficit) Before Transfers and Special Items	612,669	616,202	(64,892)	(57,886)	547,777	558,316	1.9%
Transfers	(123,923)	(68,450)	123,923	68,450	-	-	0.0%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 488,746</u>	<u>\$ 547,752</u>	<u>\$ 59,031</u>	<u>\$ 10,564</u>	<u>\$ 547,777</u>	<u>\$ 558,316</u>	1.9%

See independent auditor's report.

**City of Wall, South Dakota**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2015**

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Total receipts increased while disbursements for the City's governmental and business-type activities decreased in 2015. The receipts increased because of more sales tax received, and the decrease in disbursements is primarily related to minimal expenses needed in the Wastewater Fund after the upgrade to the system.

The general fund transferred \$128,550 to the other funds (Water - \$89,400, Library - \$15,000, Fire - \$20,000 and Cemetery - \$4,150) to subsidize operations of those funds.

**Business-type Activities**

The City's receipts for the business-type activities increased by 5% to \$555,218, and disbursements increased about 3%. The reason for the increase in revenue was partly due to an increase in sewer rates for the full year in 2015 that was implemented towards the end of 2014. The increase in disbursements was due to some unexpected water main repairs in 2015.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The financial analysis of the City's funds mirrors those highlighted in the analysis of governmental and business-type activities presented above. The City maintains five governmental funds: General, Gross Receipts Tax, Fire Department, Cemetery, and Library; and three business type funds: Water, Waste Water, and Solid Waste. None of the City's funds had any significant deficit or gain during the year.

In the past the City had subsidized the operations of the Ambulance with general fund resources. The City budgets 6% of City sales tax revenue annually, not to exceed \$50,000 to the Ambulance District. During the current year, the City includes in the General Fund a payment of \$50,000 to the Ambulance District.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenditures to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City did experience an increase in total property valuation from the prior year. The increase in property valuation allows the City the ability to increase the amount of revenue generated from property taxes by approximately \$21,409. However, the City Council has chosen not to increase the amount it levies for taxes. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The City has experienced a large increase in taxable sales over the prior year. The City chooses to be conservative and to budget a similar amount as was budgeted in 2014 in sales tax revenue for 2015.

The City's adopted General Fund budget for the next fiscal year will show an increase of expenditures of 11% to \$1,306,442.

The City's business-type activities (water, waste water, and solid waste operations) expect that the results for 2015 will be less than 6%.

See independent auditor's report.

**City of Wall, South Dakota**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2015**

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**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Wall City Finance Office, PO Box 314, Wall, SD 57790.

See independent auditor's report.

## BASIC FINANCIAL STATEMENTS

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**City of Wall, South Dakota**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2015**

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,796,936	\$ 407,696	\$ 3,204,632
Certificates of Deposit	515,900	-	515,900
Restricted Assets:			
Savings - Shearer Addition	<u>10,356</u>	<u>-</u>	<u>10,356</u>
<b>TOTAL ASSETS</b>	<u>3,323,192</u>	<u>407,696</u>	<u>3,730,888</u>
<b>NET POSITION</b>			
Restricted			
For Shearer Addition	10,356	-	10,356
For Construction and City Promotion	123,475	-	123,475
For Water Deposits Held	-	3,730	3,730
Unrestricted	<u>3,189,361</u>	<u>403,966</u>	<u>3,593,327</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,323,192</u>	<u>\$ 407,696</u>	<u>\$ 3,730,888</u>

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2015**

Functions/Programs	Disbursements	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
General Government	\$ 185,429	\$ 30,182
Public Safety	246,638	14,214
Public Works	442,876	-
Culture and Recreation	197,566	1,710
Cemetery	14,990	7,200
Library	27,296	-
Conservation and Development	85,989	-
Interest on Long-term Debt *	5,122	-
Total Governmental Activities	1,205,906	53,306
<b>BUSINESS-TYPE ACTIVITIES</b>		
Water	459,146	257,799
Waste Water	35,153	166,345
Solid Waste	118,805	130,524
Total Business-type Activities	613,104	554,668
Total Primary Government	\$ 1,819,010	\$ 607,974

\* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of this statement.

Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 3,895	\$ 14,660	\$ (136,692)	\$ -	\$ (136,692)
19,100	-	(213,324)	-	(213,324)
-	-	(442,876)	-	(442,876)
-	4,000	(191,856)	-	(191,856)
6,787	-	(1,003)	-	(1,003)
20,523	-	(6,773)	-	(6,773)
-	-	(85,989)	-	(85,989)
-	-	(5,122)	-	(5,122)
<u>50,305</u>	<u>18,660</u>	<u>(1,083,635)</u>	<u>-</u>	<u>(1,083,635)</u>
-	-	-	(201,347)	(201,347)
-	-	-	131,192	131,192
-	-	-	11,719	11,719
-	-	-	(58,436)	(58,436)
<u>\$ 50,305</u>	<u>\$ 18,660</u>	<u>(1,083,635)</u>	<u>(58,436)</u>	<u>(1,142,071)</u>
<b>GENERAL RECEIPTS</b>				
Taxes:				
Property Taxes		292,410	-	292,410
Sales Taxes		1,313,011	-	1,313,011
State Shared Receipts		52,488	-	52,488
Unrestricted Investment Earnings		5,238	550	5,788
Insurance Proceeds		401	-	401
Miscellaneous Receipts		36,289	-	36,289
Transfers		(68,450)	68,450	-
Total General Receipts and Transfers		<u>1,631,387</u>	<u>69,000</u>	<u>1,700,387</u>
<b>CHANGE IN NET POSITION</b>				
		547,752	10,564	558,316
<b>NET POSITION - BEGINNING</b>				
		<u>2,775,440</u>	<u>397,132</u>	<u>3,172,572</u>
<b>NET POSITION - ENDING</b>				
		<u>\$ 3,323,192</u>	<u>\$ 407,696</u>	<u>\$ 3,730,888</u>

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2015**

	<u>General Fund</u>	<u>Gross Receipts Tax Fund</u>	<u>Fire Department Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,539,545	\$ 90,377	\$ 97,638
Certificates of Deposit	368,122	33,098	-
Restricted Assets:			
Savings - Shearer Addition	<u>10,356</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,918,023</u>	<u>\$ 123,475</u>	<u>\$ 97,638</u>
<b>FUND BALANCES</b>			
Restricted			
For Construction and City Promotion	\$ -	\$ 123,475	\$ -
For Shearer Addition	10,356	-	-
Assigned			
For Airport	25,000	-	-
For Fire Department	-	-	97,638
For Cemetery	-	-	-
For Library	-	-	-
For Next Year's Budget	1,234	-	-
Unassigned	<u>2,881,433</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 2,918,023</u>	<u>\$ 123,475</u>	<u>\$ 97,638</u>

The accompanying notes are an integral part of this statement.

<u>Cemetery Fund</u>	<u>Library Fund</u>	<u>Total</u>
\$ 18,118	\$ 51,258	\$ 2,796,936
87,341	27,339	515,900
-	-	10,356
<u>\$ 105,459</u>	<u>\$ 78,597</u>	<u>\$ 3,323,192</u>
\$ -	\$ -	\$ 123,475
-	-	10,356
-	-	25,000
-	-	97,638
105,459	-	105,459
-	78,597	78,597
-	-	1,234
-	-	2,881,433
<u>\$ 105,459</u>	<u>\$ 78,597</u>	<u>\$ 3,323,192</u>

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Statement of Cash Receipts, Disbursements and Changes in**  
**Fund Balance - Modified Cash Basis - Governmental Funds**  
**December 31, 2015**

	<u>General Fund</u>	<u>Gross Receipts Tax Fund</u>	<u>Fire Department Fund</u>
<b>RECEIPTS</b>			
Taxes			
General Property	\$ 291,204	\$ -	\$ -
General Sales and Use	1,188,729	124,282	-
Amusement	468	-	-
Penalties and Interest on Property Taxes	738	-	-
Licenses and Permits	17,432	-	-
Intergovernmental	74,178	-	-
Charges for Services	14,460	-	14,214
Contributions from Private Parties	865	-	19,100
Investment Income	4,653	244	17
Miscellaneous	15,517	-	20,655
<b>TOTAL RECEIPTS</b>	<u>1,608,244</u>	<u>124,526</u>	<u>53,986</u>
<b>DISBURSEMENTS</b>			
Current			
General Government	185,429	-	-
Public Safety	115,662	-	105,993
Public Works	328,655	-	-
Culture and Recreation	197,566	-	-
Cemetery	-	-	-
Library	-	-	-
Conservation and Development	21,867	64,122	-
Capital Outlays	64,721	-	-
Debt Service	79,605	-	-
<b>TOTAL DISBURSEMENTS</b>	<u>993,505</u>	<u>64,122</u>	<u>105,993</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>614,739</u>	<u>60,404</u>	<u>(52,007)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	58,227	-	20,000
Transfers Out	(128,550)	(37,277)	-
Insurance Proceeds	401	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(69,922)</u>	<u>(37,277)</u>	<u>20,000</u>
Change in Fund Balances	544,817	23,127	(32,007)
<b>FUND BALANCES - BEGINNING</b>	<u>2,373,206</u>	<u>100,348</u>	<u>129,645</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,918,023</u>	<u>\$ 123,475</u>	<u>\$ 97,638</u>

The accompanying notes are an integral part of this statement.

<u>Cemetery Fund</u>	<u>Library Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 291,204
-	-	1,313,011
-	-	468
-	-	738
-	-	17,432
-	-	74,178
7,200	-	35,874
6,787	20,523	47,275
282	42	5,238
-	116	36,288
<u>14,269</u>	<u>20,681</u>	<u>1,821,706</u>
-	-	185,429
-	-	221,655
-	-	328,655
-	-	197,566
14,990	-	14,990
-	27,296	27,296
-	-	85,989
-	-	64,721
-	-	79,605
<u>14,990</u>	<u>27,296</u>	<u>1,205,906</u>
<u>(721)</u>	<u>(6,615)</u>	<u>615,800</u>
4,150	15,000	97,377
-	-	(165,827)
-	-	401
<u>4,150</u>	<u>15,000</u>	<u>(68,049)</u>
3,429	8,385	547,751
<u>102,030</u>	<u>70,212</u>	<u>2,775,441</u>
<u>\$ 105,459</u>	<u>\$ 78,597</u>	<u>\$ 3,323,192</u>

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Statement of Net Position - Modified Cash Basis - Proprietary Funds**  
**December 31, 2015**

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	Water	Waste Water	Solid Waste	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (13,509)	\$ 98,047	\$ 323,158	\$ 407,696
<b>TOTAL ASSETS</b>	(13,509)	98,047	323,158	407,696
<b>NET POSITION</b>				
Restricted				
For Water Deposits Held	3,730	-	-	3,730
Unrestricted	(17,239)	98,047	323,158	403,966
<b>TOTAL NET POSITION</b>	\$ (13,509)	\$ 98,047	\$ 323,158	\$ 407,696

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Statement of Cash Receipts, Disbursements and Changes in Fund**  
**Balance - Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2015**

	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>OPERATING RECEIPTS</b>				
Charges for Services	\$ 256,730	\$ 165,407	\$ 130,524	\$ 552,661
Miscellaneous	<u>1,069</u>	<u>938</u>	<u>-</u>	<u>2,007</u>
Total Operating Receipts	<u>257,799</u>	<u>166,345</u>	<u>130,524</u>	<u>554,668</u>
<b>OPERATING DISBURSEMENTS</b>				
Personnel	39,670	14,307	10,355	64,332
Water Purchases	109,593	-	-	109,593
Contracted Services	-	-	91,658	91,658
Other Disbursements	162,442	20,152	16,792	199,386
Capital Outlays	<u>114,441</u>	<u>694</u>	<u>-</u>	<u>115,135</u>
Total Operating Disbursements	<u>426,146</u>	<u>35,153</u>	<u>118,805</u>	<u>580,104</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<u>(168,347)</u>	<u>131,192</u>	<u>11,719</u>	<u>(25,436)</u>
<b>NONOPERATING DISBURSEMENTS</b>				
Interest Income	39	79	432	550
Debt Service	<u>(33,000)</u>	<u>-</u>	<u>-</u>	<u>(33,000)</u>
<b>TOTAL NONOPERATING DISBURSEMENTS</b>	<u>(32,961)</u>	<u>79</u>	<u>432</u>	<u>(32,450)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Net Transfers In	89,400	-	-	89,400
Net Transfers Out	<u>(20,950)</u>	<u>-</u>	<u>-</u>	<u>(20,950)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>68,450</u>	<u>-</u>	<u>-</u>	<u>68,450</u>
Change in Net Position	(132,858)	131,271	12,151	10,564
<b>NET POSITION - BEGINNING</b>	<u>119,349</u>	<u>(33,224)</u>	<u>311,007</u>	<u>397,132</u>
<b>NET POSITION - ENDING</b>	<u>\$ (13,509)</u>	<u>\$ 98,047</u>	<u>\$ 323,158</u>	<u>\$ 407,696</u>

The accompanying notes are an integral part of this statement.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (US GAAP) as described within this note. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**A. REPORTING ENTITY**

The reporting entity of the City of Wall, South Dakota (the City), includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity; those organizations for which the primary government is financially accountable; and 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.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and for each function of the City's governmental activities. 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 programs 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, are presented as general receipts.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into 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 assets, liabilities, fund equity, receipts, and disbursements. The funds of the City are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The funds of the City are described below:

Governmental Funds:

*General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific receipt sources (other than expendable trusts or major capital projects) that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The City has the following special revenue funds:

Gross Receipts Tax Fund - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the City (SDCL 10-52A-2). This is a major fund.

Fire Department Fund - To account for all financial resources of the fire department. Activities are financed through services provided by the department, donations, and other sources. This is a major fund.

Cemetery Fund - To account for all financial resources of the cemetery. Activities are financed through cemetery services, donations, and other sources. This is a major fund.

Library Fund - To account for all financial resources of the library. Activities are financed through library fees, donations, and other sources. This is a major fund.

Proprietary Funds:

*Enterprise Funds* - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the municipal waterworks system and related facilities. This is a major fund.

Waste Water Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. This is a major fund.

Solid Waste Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the city solid waste system and related facilities. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds and are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). The City did not have fiduciary funds as of December 31, 2015.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City’s basis of accounting is the modified cash basis, which is a basis of accounting other than US GAAP. Under US GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

*Fund Financial Statements:*

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used, applied within the limitations of the modified cash basis of accounting as defined below.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using the modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements include the recording of certificates of deposit arising from cash transactions. The City also presents negative cash balances rather than interfund loans. The City reports donated water as in-kind between the Water Fund and General Fund.

As a result of the use of this 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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. CASH AND CASH EQUIVALENTS**

The City pools its cash resources for deposit purposes. However, the Fire Department, Cemetery, and Library do not participate in the cash pool and maintain separate bank accounts from the City's pooled resources. The proprietary fund types have access to their cash resources on demand. Cash equivalents exclude certificates of deposit, which are not included in the pool of the City's cash resources and are directly identifiable to the respective fund.

**E. EQUITY IN POOLED CASH**

As a result of the governmental funds being presented on the cash basis of accounting, at times governmental funds will report negative equity in pooled cash. Negative equity in pooled cash represents the amount these funds have overdrawn their portion of pooled cash, and subsequently borrowed from other funds.

**F. RESTRICTED CASH DEPOSITS**

The City maintains restricted cash deposits for the maintenance of the road to a subdivision, the Shearer Addition, within the City. The developer of the subdivision remits \$2,000 for each lot sold to the City for the restrictive purpose of maintaining the road to the subdivision.

**G. DEPOSITS AND INVESTMENTS**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at a date of acquisition of three months or less.

**H. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

*Government-wide Financial Statements*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**I. CAPITAL ASSETS**

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions.

*Government-wide Financial Statements*

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired at the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

*Fund Financial Statements*

In the fund financial statements, capital assets acquired for use in fund operations are accounted for as expenditures of the fund when paid for in cash.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. LONG-TERM LIABILITIES**

Long-term liabilities include, but are not limited to, notes payable.

As discussed in Note 1.C. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the City. The City reports the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis. On the Statement of Activities, the principal portion of the Debt Service payments are reported within the appropriate expense function, while the interest portion is reported as Interest on Long-term Debt.

**K. REVENUE RECEIVED IN ADVANCE**

Under the cash basis of accounting, cash may have been received in advance of the City's providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

**L. PROGRAM RECEIPTS**

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 other 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 Contributions - 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 governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**M. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATIONS**

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. EQUITY CLASSIFICATIONS**

*Government-wide Statements:*

Equity is classified as net position and is displayed in two components under the modified cash basis:

*Restricted net position* - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

*Unrestricted net position* - All other net position that does not meet the definition of "restricted."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinances of the City Council.

*Assigned* - Amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. The City Council assigns amounts through approved Council actions that occur during City Council meetings.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

The City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing so, 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.

Proprietary fund equity is classified the same as in the government-wide financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits are imposed by South Dakota State statutes. These restrictions are summarized below:

*Deposits* - The City's cash 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, and may be in the form of demand or time deposits. 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 the 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.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments* - In general, SDCL 4-5-6 permits City funds 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. 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 hold any investments as of December 31, 2015.

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

*Custodial Credit Risk - Deposits* - The risk that in the event of a depository failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial risk. As of December 31, 2015, the City's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

*Assignment of Interest Income* - State law allows income from deposits and 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 deposits and investments to the fund making the investment.

**NOTE 3 - TRANSFERS**

Interfund transfers during the year ended December 31, 2015 consisted of the following:

	Transfers In					Total
	General Fund	Fire Department Fund	Library Fund	Water Fund	Cemetery Fund	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 20,000	\$ 15,000	\$ 89,400	\$ 4,150	\$ 128,550
Water Fund	20,950	-	-	-	-	20,950
Gross Receipts Tax Fund	<u>37,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,277</u>
	<u>\$ 58,227</u>	<u>\$ 20,000</u>	<u>\$ 15,000</u>	<u>\$ 89,400</u>	<u>\$ 4,150</u>	<u>\$ 186,777</u>

The purposes of the transfers were as follows:

1. \$20,950 from the Water Fund to the General Fund to account for water used at the golf course.
2. \$37,277 from the Gross Receipts Tax Fund to the General Fund to fund a portion of the salary of the Chamber of Commerce employee.
3. \$39,150 from the General Fund to the Fire Department, Library, and Cemetery Funds for operating subsidies and capital projects.
4. \$89,400 from the General Fund to the Water Fund to help fund operations.

**City of Wall, South Dakota  
Notes to Financial Statements  
December 31, 2015**

**NOTE 4 - PROPERTY TAX**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property as of the following January 1, and are payable in two installments 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.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**NOTE 5 - COMMITMENTS**

A summary of changes in long-term debt commitments for the year ended December 31, 2015 is as follows:

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/15</u>
Governmental Activities:				
Notes Payable				
Main Street Project Note	\$ 510,675	\$ -	\$ 49,500	\$ 461,175
Fire Truck Loan	<u>134,777</u>	<u>-</u>	<u>24,983</u>	<u>109,794</u>
Total Governmental	<u>645,452</u>	<u>-</u>	<u>74,483</u>	<u>570,969</u>
Business-type Activities:				
Notes Payable				
Main Street Project Note	<u>156,825</u>	<u>-</u>	<u>33,000</u>	<u>123,825</u>
Total Business-type	<u>156,825</u>	<u>-</u>	<u>33,000</u>	<u>123,825</u>
Total	<u>\$ 802,277</u>	<u>\$ -</u>	<u>\$ 107,483</u>	<u>\$ 694,794</u>

In October 2014, the City refinanced the Fire Truck loan to extend the maturity date. The payment schedule requires five annual installments of \$30,105, with the final payment due October 2019 fulfilling the obligation. Payments include interest of 3.8%. This loan is paid by the General Fund.

The Main Street Project note is a non-interest bearing note payable to WREA for main street improvements and water main replacements requiring monthly installments of \$7,500 which started July 15, 2012 for a period of five years with a final payment of \$450,000 due July 15, 2017. The note is serviced by the General Fund (73%) and the Water Fund (27%).

**NOTE 6 - RETIREMENT PLAN**

Plan Information

All employees, working more than 20 hours per week during the 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 subdivisions. The 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 6 - RETIREMENT PLAN (CONTINUED)**

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 employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee 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 benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits 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 90.0% 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 SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state 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 percent 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 ended December 31, 2015, 2014, and 2013 were \$11,452, \$9,553, and \$9,089, respectively, and were equal to the required contributions each year.

**City of Wall, South Dakota  
Notes to Financial Statements  
December 31, 2015**

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**NOTE 6 - RETIREMENT PLAN (CONTINUED)**

Pension Liabilities (Assets)

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

Proportionate Share of Net Pension Restricted for Pension Benefits	\$ 984,938
Less: Proportionate Share of Total Pension Liability	<u>1,025,292</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (40,354)</u>

The net pension liability (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 contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2015, the City's proportion was 0.00951%, which is an increase of 0.00128% from its proportion measured as of June 30, 2014.

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent 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 July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 6 - RETIREMENT PLAN (CONTINUED)**

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 Rule (i.e., 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, 2015 (see the discussion of the pension plan's investment policy) 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%	0.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of 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 Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 101,566	\$ (40,354)	\$ (156,074)

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 6 - RETIREMENT PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

**NOTE 7 - CONTRACTS**

The City is party to a contract agreement for solid waste collection. The contract requires the City to make payments to the contractor on a monthly basis based on the unit prices agreed upon by each party. Total payments on this contract during the year ended December 31, 2015 were \$91,658. This contract will remain in effect until June 30, 2019.

The City is party to a contract agreement with Regional Health Physicians, Inc., a South Dakota non-profit corporation, to lease the Wall Clinic and associated property. The lease does not require a payment as long as Regional Health Physicians, Inc. operates as a non-profit organization. The agreement expires on February 28, 2019. The City holds title of the property, building and some of the equipment.

**NOTE 8 - RISK MANAGEMENT**

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 year ended December 31, 2015, the City managed its risks as follows:

Employee Health Insurance

The City participates in the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

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 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 costs 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 below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for torts, theft of or damage to property, and errors and omissions of public officials.

**City of Wall, South Dakota  
Notes to Financial Statements  
December 31, 2015**

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**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

The agreement with the SDPAA provides that the above coverage will be provided to a \$2,000,000 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. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for the amount allocated to the cumulative reserve fund.

As of December 31, 2015, the City had a balance of \$34,112 in the cumulative reserve fund, all of which was vested.

The City has no deductible for general liability coverage and a \$500 deductible for errors and omissions of public officials.

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.

Workmen's Compensation

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. 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 retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident. 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 over the past three years.

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The City has not reserved equity for the payment of future unemployment benefits due to prior claims experience. During the year ended December 31, 2015, no claims for unemployment benefits were paid. At December 31, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next year.

**NOTE 9 - RESTRICTED NET POSITION**

The following table shows restricted net position and the purpose for such restrictions as shown in the statement of net position - modified cash basis:

Purpose	Restricted By	Amount
Major Purposes:		
Water Deposits Held	State Law	\$ 3,730
Construction and City Promotion	State Law	123,475
Shearer Addition	Agreement	10,356
		<u>\$ 137,561</u>

**City of Wall, South Dakota**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 10 - BUDGET VIOLATION**

The City is prohibited by statute, from spending in excess of appropriated amounts for any fund. The following represents significant overdrafts of the disbursements or transfers compared to the appropriations for the year ended December 31, 2015:

<u>Fund</u>	<u>Appropriations</u>	<u>Total Spent</u>	<u>Overdraft of Disbursements</u>
Gross Receipts Tax Fund			
Transfers Out	\$ 32,000	\$ 37,277	\$ 5,277

The City will monitor budgets throughout the year to determine if supplements to the budget are necessary to avoid future violations.

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

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OTHER SUPPLEMENTARY INFORMATION

**City of Wall, South Dakota**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes				
General Property	\$ 290,314	\$ 290,314	\$ 291,204	\$ 890
General Sales and Use	850,000	1,003,859	1,188,729	184,870
Amusement	400	400	468	68
Penalties and Interest on Property Taxes	300	300	738	438
Licenses and Permits	11,040	11,040	17,432	6,392
Intergovernmental	37,500	37,500	74,178	36,678
Charges for Services	1,000	1,000	14,460	13,460
Contributions from Private Parties	-	-	865	865
Investment Income	2,000	2,000	4,653	2,653
Miscellaneous	12,000	12,000	15,517	3,517
<b>TOTAL RECEIPTS</b>	<u>1,204,554</u>	<u>1,358,413</u>	<u>1,608,244</u>	<u>249,831</u>
<b>DISBURSEMENTS</b>				
Current				
General Government				
Legislative	12,250	12,250	10,391	1,859
Financial Administration	64,794	64,794	61,152	3,642
Other	114,300	118,359	113,886	4,473
Total General Government	<u>191,344</u>	<u>195,403</u>	<u>185,429</u>	<u>9,974</u>
Public Safety				
Police	117,592	117,592	115,662	1,930
Fire	30,145	30,145	30,105	40
Total Public Safety	<u>147,737</u>	<u>147,737</u>	<u>145,767</u>	<u>1,970</u>
Public Works				
Highways and Streets	471,963	556,963	437,965	118,998
Airport	17,500	17,500	4,911	12,589
Total Public Works	<u>489,463</u>	<u>574,463</u>	<u>442,876</u>	<u>131,587</u>

See independent auditor's report and notes to other supplementary information.

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Culture and Recreation				
Golf Course	40,000	40,000	40,000	-
Recreation	35,500	35,500	31,326	4,174
Parks	47,710	72,710	66,117	6,593
Auditorium	54,800	67,800	60,123	7,677
Total Culture and Recreation	<u>178,010</u>	<u>216,010</u>	<u>197,566</u>	<u>18,444</u>
Economic Development and Assistance				
Promoting the City	-	67,800	21,867	45,933
Contingency	60,000	60,000	-	60,000
<b>TOTAL DISBURSEMENTS</b>	<u>1,066,554</u>	<u>1,261,413</u>	<u>993,505</u>	<u>267,908</u>
Excess of Receipts Over Disbursements	<u>138,000</u>	<u>97,000</u>	<u>614,739</u>	<u>517,739</u>
<b>OTHER FINANCING USES</b>				
Transfers In	32,000	32,000	58,227	26,227
Transfers Out	(170,000)	(170,000)	(128,550)	41,450
Insurance Proceeds	-	-	401	401
<b>TOTAL OTHER FINANCING USES</b>	<u>(138,000)</u>	<u>(138,000)</u>	<u>(69,922)</u>	<u>68,078</u>
Change in Fund Balance	-	(41,000)	544,817	585,817
<b>FUND BALANCE - BEGINNING</b>	<u>2,373,206</u>	<u>2,373,206</u>	<u>2,373,206</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,373,206</u>	<u>\$ 2,332,206</u>	<u>\$ 2,918,023</u>	<u>\$ 585,817</u>

See independent auditor's report and notes to other supplementary information.

**City of Wall, South Dakota**  
**Budgetary Comparison Schedule - Gross Receipts Tax Fund -**  
**Budgetary Basis**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes				
General Sales and Use	\$ 100,000	\$ 100,000	\$ 124,282	\$ 24,282
Investment Income	<u>-</u>	<u>-</u>	<u>244</u>	<u>244</u>
<b>TOTAL RECEIPTS</b>	<u>100,000</u>	<u>100,000</u>	<u>124,526</u>	<u>24,526</u>
<b>DISBURSEMENTS</b>				
Economic Development and Assistance				
Promoting the City	<u>68,000</u>	<u>68,000</u>	<u>64,122</u>	<u>3,878</u>
Excess of Receipts Over Disbursements	<u>32,000</u>	<u>32,000</u>	<u>60,404</u>	<u>20,648</u>
<b>OTHER FINANCING USES</b>				
Transfers Out - for City Promotion	<u>(32,000)</u>	<u>(32,000)</u>	<u>(37,277)</u>	<u>(5,277)</u>
Change in Fund Balance	-	-	23,127	15,371
<b>FUND BALANCE - BEGINNING</b>	<u>100,348</u>	<u>100,348</u>	<u>100,348</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 100,348</u>	<u>\$ 100,348</u>	<u>\$ 123,475</u>	<u>\$ 23,127</u>

See independent auditor's report and notes to other supplementary information.

**City of Wall, South Dakota**  
**Budgetary Comparison Schedule - Fire Department Fund -**  
**Budgetary Basis**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 1,500	\$ 14,214	\$ 14,214	\$ -
Contributions	16,000	18,257	19,100	843
Investment Income	-	-	17	17
Miscellaneous	-	20,368	20,655	287
<b>TOTAL RECEIPTS</b>	<u>17,500</u>	<u>52,839</u>	<u>53,986</u>	<u>1,147</u>
<b>DISBURSEMENTS</b>				
Fire	<u>58,600</u>	<u>117,300</u>	<u>105,993</u>	<u>11,307</u>
Deficiency of Receipts Under Disbursements	<u>(41,100)</u>	<u>(64,461)</u>	<u>(52,007)</u>	<u>12,454</u>
<b>OTHER FINANCING USES</b>				
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Change in Fund Balance	(21,100)	(44,461)	(32,007)	12,454
<b>FUND BALANCE - BEGINNING</b>	<u>129,645</u>	<u>129,645</u>	<u>129,645</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 108,545</u>	<u>\$ 85,184</u>	<u>\$ 97,638</u>	<u>\$ 12,454</u>

See independent auditor's report and notes to other supplementary information.

**City of Wall, South Dakota**  
**Budgetary Comparison Schedule - Cemetery Fund -**  
**Budgetary Basis**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 1,000	\$ 6,800	\$ 7,200	\$ 400
Contributions	-	-	6,787	6,787
Investment Income	500	500	282	(218)
<b>TOTAL RECEIPTS</b>	<u>1,500</u>	<u>7,300</u>	<u>14,269</u>	<u>6,969</u>
<b>DISBURSEMENTS</b>				
Cemetery	5,650	16,650	14,990	1,660
Deficiency of Receipts Under Disbursements	(4,150)	(9,350)	(721)	8,629
<b>OTHER FINANCING USES</b>				
Transfers In	4,150	4,150	4,150	-
Change in Fund Balance	-	(5,200)	3,429	8,629
<b>FUND BALANCE - BEGINNING</b>	<u>102,030</u>	<u>102,030</u>	<u>102,030</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 102,030</u>	<u>\$ 96,830</u>	<u>\$ 105,459</u>	<u>\$ 8,629</u>

See independent auditor's report and notes to other supplementary information.

**City of Wall, South Dakota**  
**Budgetary Comparison Schedule - Library Fund -**  
**Budgetary Basis**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Contributions	\$ 16,224	\$ 16,224	\$ 20,523	\$ 4,299
Investment Income	-	-	42	42
Miscellaneous	-	-	116	116
<b>TOTAL RECEIPTS</b>	<u>16,224</u>	<u>16,224</u>	<u>20,681</u>	<u>4,457</u>
<b>DISBURSEMENTS</b>				
Library	<u>31,224</u>	<u>31,224</u>	<u>27,296</u>	<u>3,928</u>
Deficiency of Receipts Under Disbursements	<u>(15,000)</u>	<u>(15,000)</u>	<u>(6,615)</u>	<u>8,385</u>
<b>OTHER FINANCING USES</b>				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Change in Fund Balance	-	-	8,385	8,385
<b>FUND BALANCE - BEGINNING</b>	<u>70,212</u>	<u>70,212</u>	<u>70,212</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 70,212</u>	<u>\$ 70,212</u>	<u>\$ 78,597</u>	<u>\$ 8,385</u>

See independent auditor's report and notes to other supplementary information.

**City of Wall, South Dakota**  
**Notes to Other Supplementary Information**  
**December 31, 2016**

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**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the modified cash basis of accounting and present capital outlay and debt service expenditures within each function.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that insufficient amounts have been budgeted, state statute allows the adoption of supplemental budgets. Budget amendments were adopted by the City Council during the year ended December 31, 2015.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the City Council. The City did not encumber any amounts at December 31, 2015.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

**NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The following represents the overdrafts of the expenditures compared to appropriations at the legal level of budgetary control for the Gross Receipts Tax Fund.

Fund	Appropriations	Total Spent	Overdraft of Disbursements
Gross Receipts Tax Fund			
Transfers Out	\$ 32,000	\$ 37,277	\$ 5,277

See independent auditor's report.

**City of Wall, South Dakota  
Municipal Officials  
December 31, 2015**

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Mayor

Marty Huether

Governing Board

Richard Hustead  
Stanley Anderson

Mike Anderson

Jerry Morgan

Gale Patterson

Dan Hauk

Finance Officer

Carolynn Anderson

Attorney

James S. Nelson

See independent auditor's report.