

CITY OF WEBSTER, SOUTH DAKOTA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
DECEMBER 31, 2015

**CITY OF WEBSTER
OFFICIALS**

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Grosek	Mayor	May-17
Dale Miller	Council Member - Ward I	May-16
Jim Grimes, Vice President	Council Member - Ward I	May-17
Blake Younke	Council Member - Ward II	May-17
Wayne Klungseth	Council Member - Ward II	May-16
Roger Monson	Council Member - Ward III	May-17
Morgan Dorsett, President	Council Member - Ward III	May-16

CITY OF WEBSTER
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Webster, South Dakota, (City) as of December 31, 2015 and for the year then ended, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, 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.

Basis for Disclaimer of Opinion

The financial statements of Webster Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Webster Housing and Redevelopment Commission financial statements as part of our audit of the City's basic financial statements. Webster Housing and Redevelopment Commission's financial activities are included in the City's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

As discussed in the "Basis for Disclaimer of Opinion" paragraph, the Webster Housing and Redevelopment Commission's financial statements have not been audited, and we do not express an opinion of the financial statements of the aggregate discretely presented component unit for the City of Webster, South Dakota as of and for the year ended December 31, 2015.

Opinions

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Webster, South Dakota, as of December 31, 2015 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard. As discussed in Note 12 to the financial statements, the City of Webster adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 12 to the financial statements, the City has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 6 through 13, and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules and budgetary comparison schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Grant and Williams, Inc.

Grant and Williams, Inc.

Certified Public Accountants

June 22, 2016

**CITY OF WEBSTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

This section of the City of Webster (City) financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended 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 revenues generated from charges for services, taxes and other revenues of the governmental programs were \$138,351.70 more than the \$1,935,957.79 in governmental expenditures. The prior year revenues of the governmental programs were \$423,964.07 more than the \$1,843,179.27 in governmental expenditures.
- In the City's business-type activities, revenue increased by 8.89% to \$2,216,894.45 while expenses increased 5.03% to \$1,932,909.64, due to the increase in liquor sales and the related costs.
- The City's General Fund ended the year with an unassigned fund balance of \$135,055.13, which represents 35.09% percent increase from the prior year due to the decreases in expenditures for the Airport projects.

USING THIS ANNUAL REPORT

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the City operates like businesses. The City has three proprietary funds – Liquor, Water, and Sewer Funds.

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 required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 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-2			
Major Features of the City of Webster’s Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal 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 liquor, water system and sewer system
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or service have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These 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 financial 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 statements of the City are reported in three 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 it cover the cost of certain services it provides. The City’s liquor, water and sewer systems are reported here.
- *Component Units* – The City includes one other entity in its report – the Housing and Redevelopment Commission. Although legally separate, this “component unit” is important because the City is financially accountable for the Commission.

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 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, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. 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, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City’s combined net position increased by 6.75% between fiscal year 2014 and 2015 increasing by \$587,736.12 which includes the adjustment for GASB 68 implementation (See Table A-1).

	Governmental Activities		Business type Activities		Total Activities		Total Change	
	December 31		December 31		December 31		December 31	
	2015	2014	2015	2014	2015	2014	2014-2015	
Current and other assets	\$ 805	\$ 654	\$2,271	\$1,971	\$3,076	\$2,625	451	17.2%
Capital assets	5,818	5,842	4,812	4,927	10,630	10,769	(139)	(1.29%)
Total assets	6,623	6,496	7,083	6,898	13,706	13,394	312	2.3%
Deferred Outflows of Resources	198	-	71	-	269	-	269	100.0%
Long-term Liabilities	1,850	1,945	2,083	2,207	3,933	4,152	(219)	(5.27%)
Other Liabilities	245	251	267	276	512	527	(15)	(2.85%)
Total Liabilities	2,095	2,196	2,350	2,483	4,445	4,679	(234)	(5.00%)
Deferred Inflows of Resources	167	-	60	-	227	-	227	100.0%
Net Position								
Net investment in	3,878	3,796	2,606	2,600	6,484	6,396	88	1.38%
Restricted	615	474	328	228	943	702	241	34.33%
Unrestricted	66	30	1,810	1,587	1,876	1,617	259	16.0%
Total net position	\$4,559	\$4,300	\$4,744	\$4,415	\$9,303	\$8,715	\$ 588	6.75%

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of compensated absences payable, water and sewer revenue bonds payable, and other

liabilities, have been reported in this manner on the Statement of Net Position. The difference between the City's assets and liabilities is its net position.

The City's net position reflect its investments in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates to the City's purchases for use by the various funds of the City.

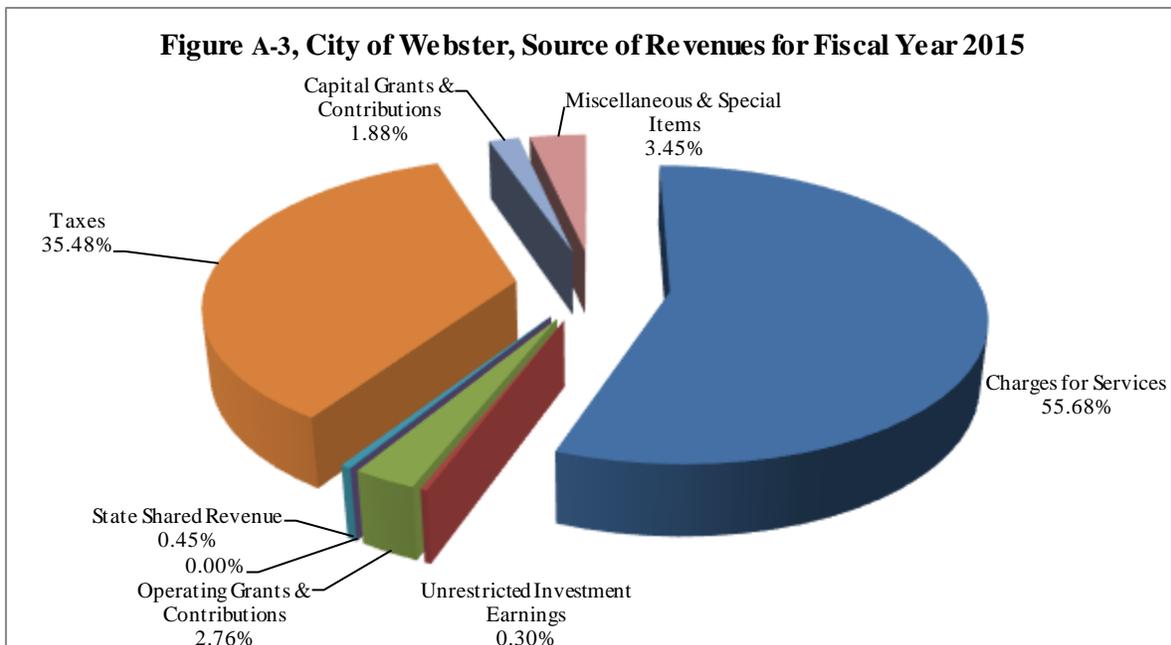
The City's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was a decrease in restricted net position due to debt service and equipment reserve requirements of the long-term debt covenants.

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 is able to report positive balances in all three 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.

Changes in Net Position

The City's revenues totaled \$4,291,203.94 (See Table A-2). Well over half of the City's revenue comes from charges for services and taxes, with 55.68 cents of every dollar raised coming from charges for services (primarily liquor and water operations) and 35.48 cents of every dollar raised comes from some type of tax (See Figure A-3). Another 2.33 cents comes from state and federal grants for capital purposes and most of the rest come from state-shared revenues, loan and interest earnings.



The total cost of all programs and services increased 5.40% from the prior year. The City's expenses cover a range of services, with 42.30% related to public safety and public work services (road maintenance, airport, cemetery, water system and sewer system services). (See Figure A-4).

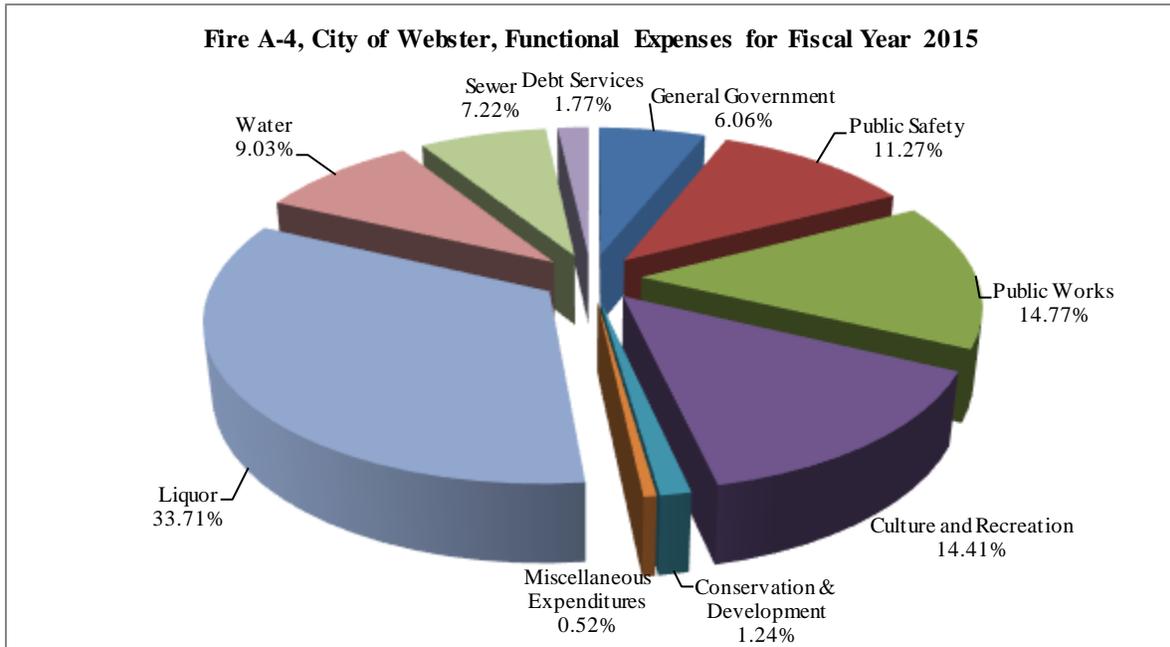


Table A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals		Total Change
	2015	2014	2015	2014	2015	2014	2014-2015
Revenue							
Program Revenue:							
Charges for service	\$ 183	\$ 163	\$ 2,206	\$ 2,114	\$ 2,389	\$ 2,277	4.92%
Operating grants	118	124	-	-	118	124	(4.84%)
Capital grants and contributions	80	270	-	-	80	270	100.00%
General Revenues:							
Taxes	1,523	1,427	-	-	1,523	1,427	6.73%
Revenue State Sources	19	18	-	-	19	18	5.56%
Unrestricted Investment Earnings	2	2	11	10	13	12	8.33%
Miscellaneous	148	255	-	(85)	148	170	(12.94%)
Total Revenues	2,073	2,259	2,217	2,039	4,290	4,298	(0.19%)
Expenses							
General Government	234	233	-	-	234	233	0.43%
Public Safety	436	438	-	-	436	438	(0.46%)
Public Works	572	536	-	-	572	536	6.72%
Culture and Recreation	557	506	-	-	557	506	10.08%
Conservation & Development	48	23	-	-	48	23	108.70%
Miscellaneous	20	30	-	-	20	30	(33.33%)
Debt Service	68	69	-	-	68	69	(1.45%)
Liquor	-	-	1,304	1,219	1,304	1,219	6.97%
Water Service	-	-	349	350	349	350	(0.29%)
Sewer Service	-	-	280	266	280	266	5.26%
Total Expenses	1,935	1,835	1,933	1,835	3,868	3,670	5.40%
Change in Net Position	\$ 138	\$ 424	\$ 284	\$ 204	\$ 422	\$ 628	(32.80%)

Governmental Activities

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

Total revenues for the City decreased by approximately \$189,000 largely due to less grants received during the current year. The total expenses increased by approximately \$100,000 largely due to increases for Public Works and Culture and Recreation services.

Business-type Activities

The revenues for the City's business-type activities increased by approximately \$178,000 largely due to increases in sales in the Liquor Fund and increases in charges for services in the Water and Sewer Funds. Expenses for the City's business-type activities increased by approximately \$98,000 largely due to the costs of goods sold in the Liquor Fund.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analyses of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains six governmental funds – General, Community Development, Additional Sales Tax, Construction Fund, Library Fines, and Diamond Trust funds and three business-type funds – Liquor, Water and Sewer Funds. The fund that had significant changes was the Liquor Fund with increases in sales.

General Fund Budgetary Highlights

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

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

For the year ended December 31, 2015, General Fund budget changes included supplemental appropriations for the grants received during the year for the airport that were not previously included in the budget.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the City's governmental activities had invested \$5,818,000 and the City's business-type activities had invested \$4,812,129 in a broad range of capital assets, including, land, buildings, improvements, various machinery and equipment, construction in progress (See Table A-3). These amounts represent a net decrease (including additions and deductions) of \$139,172 or 1.29%, over the last year.

Table A-3

	City of Webster's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total Dollar Change	Percentage Change
	2014	2015	2014	2015		
Land	\$ 85,440	\$ 85,440	\$ 578,886	\$ 578,886	-	0.00%
Buildings	1,248,864	1,246,572	84,909	79,227	(7,975)	(0.60%)
Improvements Other Than Buildings	3,451,723	3,538,393	4,228,382	4,120,472	(21,240)	(0.28%)
Machinery and Equipment	1,056,685	947,595	34,411	33,544	(109,957)	(10.08%)
Total Capital Assets (Net)	<u>\$ 5,842,712</u>	<u>\$ 5,818,000</u>	<u>\$ 4,926,588</u>	<u>\$ 4,812,129</u>	<u>\$ (139,172)</u>	<u>(1.29%)</u>

This year's major capital asset additions included:

- Resealing and overlay of the City's roads totaling \$99,000
- Submersible Pump – 7.5 HP \$8,271
- Replace Pump on 1989 Fire Truck \$13,798
- Steel Roof – Clubhouse \$8,273
- Toro RM 5400 mower \$13,250
- Parking Lot – Swimming Pool \$15,331
- Playground Equipment \$26,266
- Husqvarna PZT 60 Mower \$8,190

LONG-TERM DEBT

At the year-end the City had \$4,236,531 in State Revolving Fund Loans, Construction Loan, and other long-term obligations. This is a decrease of 5.17% as shown on Table A-4 below.

Table A-4
City of Webster's Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Percentage Change
	2014	2015	2014	2015		
Compensated Absences	\$ 69,878	\$ 69,000	\$ 24,891	\$ 21,000	(4,769)	(5.032%)
Note Payable	16,157	-	-	-	(16,157)	(100.000%)
State Revolving Fund Loan	-	-	724,629	649,854	(74,775)	(10.32%)
Aquatic Center Bond	2,030,000	1,940,000	-	-	(90,000)	(4.433%)
USDA Rural Development Loan	-	-	1,601,792	1,556,676	(45,116)	(2.82%)
Total Capital Assets (Net)	<u>\$ 2,116,035</u>	<u>\$ 2,009,000</u>	<u>\$ 2,351,312</u>	<u>\$ 2,227,531</u>	<u>\$ (230,817)</u>	<u>(5.17%)</u>

The City is liable for the accrued vacation and sick leave payable to all full-time employees who have been employed during the year. The decrease is due to a decrease in the amount of leave accumulated and outstanding at the end of the year.

The City has outstanding \$150,341.47 in State Revolving Fund Loan – Drinking Water. The loan is secured and paid for from the Water and Sewer Funds. This loan was used to build water and sewer system improvements and will be fully paid off on July 1, 2023.

The City has outstanding \$380,746.86 in State Revolving Fund Loan – Clean Water. The loan is secured and paid for from the Water and Sewer Funds. This loan was used to build water and sewer system improvements and will be fully paid off on July 1, 2023.

The City has outstanding \$1,556,676.22 in Rural Development Loan. The loan is secured and paid for from the Sewer Fund. This loan was used to construct Lagoon improvements; the project was completed in 2015. The loan will be fully paid off on May 26, 2050.

The City has outstanding \$118,766.16 in State Revolving Fund Loan. The loan is secured by the Water Fund. This loan was used to install new water meters for the City; the project was completed in 2015. The loan will be fully paid off on July 1, 2015.

The City has outstanding \$1,940,000.00 in a bond loan for the aquatic center; the construction was completed in 2015. The loan is secured by the General Fund and will be paid with opt out property tax revenue and donations from WAVE. This loan will be fully paid off on November 15, 2032.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's current economic position has shown little change. The City's total property valuation went up from the prior year. The City level rate remained approximately the same for the City. The City voted in 2011 to opt out on property taxes so that monies from that will pay the debt for the new aquatic center. Under the state mandated property tax limitation, 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 an increase in taxable sales of 8.83% over the prior year. The City has budgeted for a 12.39% increase in sales tax revenue for the next year.

The City's adopted General Fund budget for the next fiscal year will rise 6.23% to \$1,847,500. This increase is due to increases in employee benefits and no new construction projects planned.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Municipal Finance Office at 800 Main St., City of Webster, SD or telephone at (605) 345-3241.

CITY OF WEBSTER
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WEBSTER
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Exhibit I

	Primary Government			Webster Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 432,455.86	\$ 1,784,903.43	\$ 2,217,359.29	\$ 214,085.52
Accounts Receivable, Net	215,571.58	115,909.62	331,481.20	16,686.57
Inventories	-	53,413.79	53,413.79	-
Other Assets	44,118.31	-	44,118.31	-
Restricted Assets:				
Cash and cash equivalents	-	276,232.84	276,232.84	-
Net Pension Asset	113,067.82	40,666.04	153,733.86	-
Capital Assets:				
Land and Improvements	85,440.27	578,886.43	664,326.70	83,855.87
Other Capital Assets, Net of Depreciation	5,732,559.40	4,233,242.35	9,965,801.75	373,552.82
TOTAL ASSETS	6,623,213.24	7,083,254.50	13,706,467.74	688,180.78
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	197,973.99	70,980.03	268,954.02	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES:	197,973.99	70,980.03	268,954.02	-
LIABILITIES :				
Accounts Payable	67,551.59	102,957.55	170,509.14	9,305.37
Other Current Liabilities	13,437.00	104,062.27	117,499.27	19,049.28
Noncurrent Liabilities:				
Due Within One Year	164,307.20	60,742.20	225,049.40	28,134.88
Due in More than One Year	1,850,000.00	2,082,705.96	3,932,705.96	181,737.23
TOTAL LIABILITIES	2,095,295.79	2,350,467.98	4,445,763.77	238,226.76
DEFERRED INFLOWS OF RESOURCES:				
Other Deferred Inflows of Resources	-	-	-	1,230.63
Pension Related Deferred Inflows	166,833.75	60,003.53	226,837.28	-
TOTAL DEFERRED INFLOWS OF RESOURCES:	166,833.75	60,003.53	226,837.28	1,230.63
NET POSITION:				
Net Investment in Capital Assets	3,877,999.67	2,605,598.07	6,483,597.74	307,209.60
Restricted for:				
Capital Projects Purposes	-	52,800.00	52,800.00	-
Debt Service Purposes	26,859.38	223,432.84	250,292.22	-
SDRS Pension Purposes	144,208.06	51,642.54	195,850.60	-
Permanently Restricted Purposes				
Non-Expendable-Insurance Deposit	44,118.31	-	44,118.31	-
Cemetery Reserve	46,593.66	-	46,593.66	-
Special Revenue Funds	351,899.97	-	351,899.97	-
Fire Federal Grants	1,323.91	-	1,323.91	-
Unrestricted	66,054.73	1,810,289.57	1,876,344.30	141,513.79
TOTAL NET POSITION	\$ 4,559,057.69	\$ 4,743,763.02	\$ 9,302,820.71	\$ 448,723.39

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF WEBSTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 234,414.70	\$ 15,123.68	\$ -	\$ 80,486.57
Public Safety	436,151.75	9,284.94	7,123.45	-
Public Works	571,576.43	14,975.00	111,373.00	-
Culture and Recreation	557,441.35	143,812.38	-	-
Conservation and Development	48,000.00	-	-	-
Miscellaneous Expenditures	20,000.00	-	-	-
*Interest on Long-term Debt	68,373.56	-	-	-
Total Governmental Activities	<u>1,935,957.79</u>	<u>183,196.00</u>	<u>118,496.45</u>	<u>80,486.57</u>
Business-type Activities:				
Liquor	1,304,246.39	1,329,469.67	-	-
Water	349,311.20	429,605.93	-	-
Sewer	279,352.05	447,166.29	-	-
Total Business-type Activities	<u>1,932,909.64</u>	<u>2,206,241.89</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,868,867.43</u>	<u>\$ 2,389,437.89</u>	<u>\$ 118,496.45</u>	<u>\$ 80,486.57</u>
Component Units:				
Housing and Redevelopment Commission	<u>\$ 138,959.02</u>	<u>\$ 134,079.50</u>	<u>\$ 53,234.00</u>	<u>\$ -</u>

General Revenues:
Taxes:
Property Taxes
Sales Taxes
State Shared Revenues
Unrestricted Investment Earnings
Miscellaneous Revenue
Total General Revenues and Transfers
Change in Net Position
Net Position-Beginning
Adjustments:
SDRS Pension
Adjusted Net Assets-Beginning
NET POSITION - ENDING

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Webster Housing & Redevelopment
Governmental Activities	Business-Type Activities	Total	
\$ (138,804.45)	\$ -	\$ (138,804.45)	\$ -
(419,743.36)	-	(419,743.36)	-
(445,228.43)	-	(445,228.43)	-
(413,628.97)	-	(413,628.97)	-
(48,000.00)	-	(48,000.00)	-
(20,000.00)	-	(20,000.00)	-
(68,373.56)	-	(68,373.56)	-
<u>(1,553,778.77)</u>	<u>-</u>	<u>(1,553,778.77)</u>	<u>-</u>
-	25,223.28	25,223.28	-
-	80,294.73	80,294.73	-
<u>-</u>	<u>167,814.24</u>	<u>167,814.24</u>	<u>-</u>
-	273,332.25	273,332.25	-
<u>(1,553,778.77)</u>	<u>273,332.25</u>	<u>(1,280,446.52)</u>	<u>-</u>
-	-	-	<u>48,354.48</u>
545,500.13	-	545,500.13	-
977,214.24	-	977,214.24	-
19,489.72	-	19,489.72	-
2,006.53	10,652.56	12,659.09	145.70
147,919.85	-	147,919.85	-
<u>1,692,130.47</u>	<u>10,652.56</u>	<u>1,702,783.03</u>	<u>145.70</u>
<u>138,351.70</u>	<u>283,984.81</u>	<u>422,336.51</u>	<u>48,500.18</u>
4,300,340.89	4,414,743.70	8,715,084.59	400,223.21
<u>120,365.10</u>	<u>45,034.51</u>	<u>165,399.61</u>	<u>-</u>
<u>4,420,705.99</u>	<u>4,459,778.21</u>	<u>8,880,484.20</u>	<u>400,223.21</u>
<u>\$ 4,559,057.69</u>	<u>\$ 4,743,763.02</u>	<u>\$ 9,302,820.71</u>	<u>\$ 448,723.39</u>

**CITY OF WEBSTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

Exhibit III

	General Fund	Community Development Fund	Pool Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS :					
Cash and Cash Equivalents	\$ 112,907.64	\$ 127,987.70	\$ 30,887.83	\$ 160,672.69	\$ 432,455.86
Taxes Receivable--Delinquent	20,879.18	-	3,005.23	-	23,884.41
Notes Receivable	-	55,827.78	-	-	55,827.78
Due from State & County Governments	128,205.87	-	-	7,653.52	135,859.39
Deposits	44,118.31	-	-	-	44,118.31
TOTAL ASSETS:	\$ 306,111.00	\$ 183,815.48	\$ 33,893.06	\$ 168,326.21	\$ 692,145.75
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 67,309.87	\$ -	\$ -	\$ 241.72	\$ 67,551.59
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	11,710.12	-	1,726.88	-	13,437.00
Total Liabilities	79,019.99	-	1,726.88	241.72	80,988.59
Fund Balances:					
Nonspendable					
Insurance Deposit	44,118.31	-	-	-	44,118.31
Restricted	47,917.57	183,815.48	32,166.18	168,084.49	431,983.72
Unassigned	135,055.13	-	-	-	135,055.13
Total Fund Balances	227,091.01	183,815.48	32,166.18	168,084.49	611,157.16
TOTAL LIABILITIES AND FUND BALANCES	\$ 306,111.00	\$ 183,815.48	\$ 33,893.06	\$ 168,326.21	\$ 692,145.75

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF WEBSTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds (page 18)		\$ 611,157.16
Amounts reported for governmental activities in the statement of net assets are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		113,067.82
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		5,816,079.08
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		197,973.99
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest	5,306.80	
Accrued Leave	69,000.40	
Other Long-term Debt	1,940,000.00	(2,014,307.20)
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds		(166,833.75)
Net Position- Governmental Funds (page 15)		\$ 4,557,137.10

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit IV

	General Fund	Community Development Fund	Pool Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes	\$ 454,394.78	\$ -	\$ 72,543.73	\$ -	\$ 526,938.51
General Sales and Use Taxes	909,100.86	-	-	68,113.38	977,214.24
Gross Receipts Business Taxes	16,397.51	-	-	-	16,397.51
Amusement Taxes	216.00	-	-	-	216.00
Penalties and Interest on Delinquent Taxes	1,700.09	-	248.02	-	1,948.11
Licenses and Permits	7,833.50	-	-	-	7,833.50
Intergovernmental Revenue:					
Federal Grants	80,486.57	-	-	-	80,486.57
State Grants	7,123.45	-	-	-	7,123.45
State Shared Revenue:					
Bank Franchise Tax	7,726.10	-	-	-	7,726.10
Motor Vehicle Commercial Prorate	4,294.21	-	-	-	4,294.21
Liquor Tax Reversion	11,763.62	-	-	-	11,763.62
Motor Vehicle Licenses (5%)	17,840.54	-	-	-	17,840.54
Local Government Highway and Bridge Fund	70,257.62	-	-	-	70,257.62
County Shared Revenue:					
County Road Tax (25%)	7,051.04	-	-	-	7,051.04
County HBR Tax (25%)	3,784.59	-	-	-	3,784.59
County Wheel Tax	7,760.00	-	-	-	7,760.00
County Payments in Lieu of Taxes	2,711.25	-	429.65	-	3,140.90
Charges for Goods and Services:					
General Government	7,290.18	-	-	-	7,290.18
Public Safety	7,331.86	-	-	-	7,331.86
Culture and Recreation	127,789.47	-	-	449.21	128,238.68
Cemetery	14,975.00	-	-	-	14,975.00
Fines and Forfeits:					
Court Fines and Costs	762.60	-	-	-	762.60
Parking Meter Fines	975.00	-	-	-	975.00
Library	-	-	-	215.48	215.48
Miscellaneous Revenue:					
Investment Earnings	159.28	1,624.61	15.85	206.79	2,006.53
Rentals	15,435.50	-	-	138.20	15,573.70
Special Assessments	385.00	-	-	-	385.00
Contributions and Donations from Private Sources	1,100.01	-	50,000.00	44,740.86	95,840.87
Other	14,944.13	-	-	3,837.00	18,781.13
Total Revenue	\$1,801,589.76	\$ 1,624.61	\$ 123,237.25	\$ 117,700.92	\$2,044,152.54

The accompanying notes to the financial statements are an integral part of this statement.

	General Fund	Community Development Fund	Pool Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Expenditures:					
General Government:					
Legislative	\$ 13,507.41	\$ -	\$ -	\$ -	\$ 13,507.41
Elections	14.36	-	-	-	14.36
Financial Administration	146,209.41	-	-	-	146,209.41
Other	65,096.68	-	-	2,000.00	67,096.68
Total General Government	224,827.86	-	-	2,000.00	226,827.86
Public Safety:					
Police	346,823.21	-	-	-	346,823.21
Fire	42,731.60	-	-	-	42,731.60
Total Public Safety	389,554.81	-	-	-	389,554.81
Public Works:					
Highways and Streets	537,357.13	-	-	-	537,357.13
Airport	69,560.81	-	-	-	69,560.81
Cemeteries	42,106.45	-	-	-	42,106.45
Transit	-	-	-	3,000.00	3,000.00
Total Public Works	649,024.39	-	-	3,000.00	652,024.39
Culture and Recreation:					
Recreation	274,162.62	-	-	46,087.65	320,250.27
Parks	140,303.64	-	-	1,308.67	141,612.31
Libraries	56,915.54	-	-	1,290.67	58,206.21
Auditorium	-	-	-	25,000.00	25,000.00
Total Culture and Recreation	471,381.80	-	-	73,686.99	545,068.79
Conservation and Development:					
Economic Opportunity	-	28,000.00	-	20,000.00	48,000.00
Total Conservation and Development	-	28,000.00	-	20,000.00	48,000.00
Debt Service	-	-	158,507.02	-	158,507.02
Miscellaneous:					
Other Expenditures	20,000.00	-	-	-	20,000.00
Total Miscellaneous	20,000.00	-	-	-	20,000.00
Total Expenditures	1,754,788.86	28,000.00	158,507.02	98,686.99	2,039,982.87
Excess of Revenue Over (Under)					
Expenditures	46,800.90	(26,375.39)	(35,269.77)	19,013.93	4,169.67
Other Financing Sources (Uses):					
Transfers In (Out)	(45,000.00)	-	45,000.00	-	-
Sale of Municipal Property	50.00	-	-	-	50.00
Compensation for Loss or Damage to Capital Assets	33,272.86	-	-	-	33,272.86
Total Other Financing Sources (Uses)	(11,677.14)	-	45,000.00	-	33,322.86
Net Change in Fund Balances	35,123.76	(26,375.39)	9,730.23	19,013.93	37,492.53
Fund Balance - Beginning	191,967.25	210,190.87	22,435.95	149,070.56	573,664.63
FUND BALANCE - ENDING	\$ 227,091.01	\$ 183,815.48	\$ 32,166.18	\$ 168,084.49	\$ 611,157.16

CITY OF WEBSTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds (page 21)	\$ 37,492.53
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	277,427.86
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(300,894.40)
In the statement of activities, losses \$3,165.91 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$50 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(3,165.91)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net Other Long-Term	106,156.91
	\$ 106,156.91
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	877.96
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense)	133.46
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	18,402.70
Change in Net Position of Governmental Activities (page 17)	\$ 136,431.11

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
PROPRIETARY FUNDS

CITY OF WEBSTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

Exhibit V

	Enterprise Funds			Totals
	Liquor Fund	Water Fund	Sewer Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 296,657.24	\$ 392,753.02	\$ 1,095,493.17	\$ 1,784,903.43
Accounts Receivable, Net	36,117.12	38,593.56	41,198.94	115,909.62
Inventory of Stores Purchased for Resale	53,413.79	-	-	53,413.79
Total Current Assets	<u>386,188.15</u>	<u>431,346.58</u>	<u>1,136,692.11</u>	<u>1,954,226.84</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	71,814.28	204,418.56	276,232.84
Net Pension Asset	17,064.49	12,324.46	11,277.09	40,666.04
Capital Assets:				
Land	5,000.00	19,935.48	553,950.95	578,886.43
Buildings	44,321.27	248,208.68	-	292,529.95
Improvements Other Than Buildings	-	1,919,500.51	4,705,805.71	6,625,306.22
Machinery and Equipment	48,751.17	57,420.31	125,163.82	231,335.30
Less: Accumulated Depreciation	(85,846.77)	(1,340,154.05)	(1,489,928.30)	(2,915,929.12)
Total Noncurrent Assets	<u>29,290.16</u>	<u>989,049.67</u>	<u>4,110,687.83</u>	<u>5,129,027.66</u>
TOTAL ASSETS	<u>415,478.31</u>	<u>1,420,396.25</u>	<u>5,247,379.94</u>	<u>7,083,254.50</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	29,662.00	21,182.21	20,135.82	70,980.03
TOTAL DEFERRED OUTFLOWS OF RESOURCES:	<u>29,662.00</u>	<u>21,182.21</u>	<u>20,135.82</u>	<u>70,980.03</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	81,654.74	18,541.22	2,761.59	102,957.55
Accrued Interest Payable	-	2,609.88	3,396.23	6,006.11
Accrued Taxes Payable	3,923.56	-	-	3,923.56
Customer Deposits	-	10,050.00	-	10,050.00
Revenue Bonds Payable	-	25,408.46	35,333.74	60,742.20
Other Long-Term Liabilities Current	-	16,480.45	46,602.10	63,082.55
Total Current Liabilities	<u>85,578.30</u>	<u>73,090.01</u>	<u>88,093.66</u>	<u>246,761.97</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	-	196,745.79	1,783,674.46	1,980,420.25
Accrued Leave Payable	7,748.14	9,201.16	4,050.75	21,000.05
Other Long-Term Debt	-	102,285.71	-	102,285.71
Total Noncurrent Liabilities	<u>7,748.14</u>	<u>308,232.66</u>	<u>1,787,725.21</u>	<u>2,103,706.01</u>
Total Liabilities	<u>93,326.44</u>	<u>381,322.67</u>	<u>1,875,818.87</u>	<u>2,350,467.98</u>
Deferred Inflows of Resources:				
Pension Related Deferred Inflows	25,178.99	18,184.98	16,639.56	60,003.53
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>25,178.99</u>	<u>18,184.98</u>	<u>16,639.56</u>	<u>60,003.53</u>
NET POSITION:				
Invested in Capital Assets	12,225.67	563,990.52	2,029,381.88	2,605,598.07
Restricted for:				
Revenue Bond Debt Service	-	19,014.28	148,366.36	167,380.64
Revenue Bond Retirement	-	-	56,052.20	56,052.20
Equipment Repair and/or Replacement	-	52,800.00	-	52,800.00
SDRS Pension Purposes	21,547.50	15,321.69	14,773.35	51,642.54
Unrestricted	292,861.71	390,944.32	1,126,483.54	1,810,289.57
Total Net Position	<u>\$ 326,634.88</u>	<u>\$ 1,042,070.81</u>	<u>\$ 3,375,057.33</u>	<u>\$ 4,743,763.02</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit VI

	Enterprise Funds			Totals
	Liquor Fund	Water Fund	Sewer Fund	
Operating Revenue:				
Charges for Goods and Services	\$ 1,329,469.67	\$ 429,605.93	\$ 323,944.49	\$ 2,083,020.09
Revenue Dedicated to Servicing Debt	-	-	121,311.80	121,311.80
Miscellaneous	-	-	1,910.00	1,910.00
Total Operating Revenue	1,329,469.67	429,605.93	447,166.29	2,206,241.89
Operating Expenses:				
Personal Services	109,729.61	80,286.63	85,895.57	275,911.81
Other Current Expense	67,440.38	220,789.49	47,283.33	335,513.20
Materials (Cost of Goods Sold)	1,115,600.23	-	-	1,115,600.23
Capital Assets	10,485.72	1,686.41	242.00	12,414.13
Depreciation	990.45	35,640.01	83,299.20	119,929.66
Total Operating Expenses	1,304,246.39	338,402.54	216,720.10	1,859,369.03
Operating Income (Loss)	25,223.28	91,203.39	230,446.19	346,872.86
Nonoperating Revenue (Expense):				
Investment Earnings	646.30	588.11	9,418.15	10,652.56
Interest Expense (Enter as Negative)	-	(10,908.66)	(62,631.95)	(73,540.61)
Total Nonoperating Revenue (Expense)	646.30	(10,320.55)	(53,213.80)	(62,888.05)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	25,869.58	80,882.84	177,232.39	283,984.81
Change in Net Position	25,869.58	80,882.84	177,232.39	283,984.81
Net Position - Beginning	281,747.94	947,775.11	3,185,220.65	4,414,743.70
Adjustments:				
SDRS Pension	19,017.36	13,412.86	12,604.29	45,034.51
Adjusted Net Assets - Beginning	300,765.30	961,187.97	3,197,824.94	4,459,778.21
NET POSITION - ENDING	\$ 326,634.88	\$ 1,042,070.81	\$ 3,375,057.33	\$ 4,743,763.02

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit VII

	Enterprise Funds			Totals
	Liquor Fund	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING				
Cash Receipts from Customers	\$ 1,337,287.75	\$ 426,123.60	\$ 445,721.70	\$ 2,209,133.05
Cash Payments to Employees for Services	(112,134.64)	(80,294.86)	(85,438.22)	(277,867.72)
Cash Payments to Suppliers of Goods and Services	(1,204,616.29)	(220,767.86)	(48,086.97)	(1,473,471.12)
Net Cash Provided (Used) by Operating	<u>20,536.82</u>	<u>125,060.88</u>	<u>312,196.51</u>	<u>457,794.21</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	-	(40,651.03)	(79,239.42)	(119,890.45)
Interest Paid on Capital Debt	-	(11,216.05)	(62,950.62)	(74,166.67)
Net Cash Provided (Used) by capital and related financing Activities	<u>-</u>	<u>(51,867.08)</u>	<u>(142,190.04)</u>	<u>(194,057.12)</u>
CASH FLOWS FROM INVESTING				
Cash Received for Interest	646.30	588.11	9,418.15	10,652.56
Net Cash Provided (Used) by Investing	<u>646.30</u>	<u>588.11</u>	<u>9,418.15</u>	<u>10,652.56</u>
Net Increase (Decrease) in Cash and Cash Balances - Beginning	21,183.12	73,781.91	179,424.62	274,389.65
Balances - Beginning	<u>275,682.71</u>	<u>395,424.22</u>	<u>1,125,396.17</u>	<u>1,796,503.10</u>
Balances - Ending	<u>\$ 296,865.83</u>	<u>\$ 469,206.13</u>	<u>\$ 1,304,820.79</u>	<u>\$ 2,070,892.75</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income	\$ 25,223.28	\$ 91,203.39	\$ 230,446.19	\$ 346,872.86
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	990.45	35,640.01	83,299.20	119,929.66
Change in Assets and Liabilities:				
Receivables	7,818.08	(3,782.33)	(1,444.59)	2,591.16
Inventories	2.41	-	-	2.41
Accounts and Other Payables	(11,092.37)	1,708.04	(561.64)	(9,945.97)
Accrued Leave Payable	(2,405.03)	(8.23)	457.35	(1,955.91)
Customer Deposits	-	300.00	-	300.00
Net Cash Provided (Used) by Operating Activities	<u>\$ 20,536.82</u>	<u>\$ 125,060.88</u>	<u>\$ 312,196.51</u>	<u>\$ 457,794.21</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity:

The reporting entity of the City of Webster, South Dakota, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Webster Housing and Redevelopment Commission (Commission) is a proprietary fund-type, discretely-presented component unit of the City of Webster. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the Webster Housing and Redevelopment Commission, 1107 East 7th Street, Webster, South Dakota.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental, business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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, liabilities, revenues, or expenditures/expenses 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, liabilities, revenues, or expenditures/expenses 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.

The funds of the City financial reporting entity 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 the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Community Development Fund – shall be used for (1) land acquisition and related development and (2) building construction, acquisition or related remodeling projects, (3) purchase of machinery or equipment, which are determined to enhance industrial development growth. Monies from the Fund will be used in a manner that will result in an ongoing revolving economic development fund. This is a major fund.

The following Special Revenue funds of the City are not considered to be major funds: Liquor, Lodging, Dining Sales Tax, Library Fines Fund and the Diamond Trust Fund. These funds are reported on the fund financial statements as “Nonmajor Funds”.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Pool Debt Service Fund – To account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund but has been elected to report as a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Liquor Fund – financed by user charges, this fund accounts for the operation of the

municipal liquor store. (South Dakota Codified Laws (SDCL) 35-3-21) This is a major fund.

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

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.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to proprietary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2015 are \$215,571.58.

Under the modified accrual basis of accounting, receivables may be measurable but not available. “Available” means collectible within the current period or soon enough after thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. 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, as follows:

- In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. 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 date of acquisition of three months or less.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by SDCL 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment of capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvement or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2015 balance of governmental activities capital assets are all valued at original costs. The total December 31, 2015 balance of business-type capital assets includes approximately 16.98% for which the costs were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon or deflated current replacement costs.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as “Improvements Other than Buildings.”

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund’s Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ All	N/A	N/A
Buildings	25,000	Straight line	15-99 years
Improvements & Infrastructure	15,000	Straight line	10-50 years
Vehicles	10,000	Straight line	3-15 years
Machinery & Equipment	5,000	Straight line	3-15 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of general obligation bonds, revenue bonds, financing (capital acquisition) leases and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City’s taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and 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.

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

l. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

n. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form is the vested balance with the South Dakota Public Assurance Alliance of \$44,118.31.

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Community Development	One penny Sales Tax

A schedule of fund balances is provided as follows:

CITY OF WEBSTER

DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>Community</u>		<u>Other</u>	<u>Total</u>
	<u>Development</u>	<u>Pool Debt</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Fund Balances:</u>	<u>General Fund</u>	<u>Service Fund</u>	<u>Funds</u>	<u>Funds</u>
Nonspendable				
Insurance Deposit	\$ 44,118.31	\$ -	\$ -	\$ 44,118.31
Restricted				
Fire Department	1,323.91	-	-	1,323.91
Cemetery	46,593.66	-	-	46,593.66
Community Development	-	183,815.48	-	183,815.48
Liquor, Lodging Dining	-	-	138,745.83	138,745.83
Pool Debt Service	-	32,166.18	-	32,166.18
Library Fines	-	-	13,394.68	13,394.68
Golf Course Caddie	-	-	7,416.20	7,416.20
Diamond Trust	-	-	8,527.78	8,527.78
Unassigned	135,055.13	-	-	135,055.13
Total Fund Balances	<u>\$ 227,091.01</u>	<u>\$ 183,815.48</u>	<u>\$ 168,084.49</u>	<u>\$ 611,157.16</u>

o. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to / deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. Violations of Finance – Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The City did have one overdraft of the expenditures in the Fire Department when compared to the appropriations in the current year of \$11,731.60.

3. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The City follows the practice of aggregating the cash assets of various funds to maximize cash

management efficiency and returns. Various restrictions on deposits and investments are imposed by 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.

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.

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. As of December 31, 2015 the City had no investments.

Custodial Credit Risk – Deposits – This is the risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2015 the City’s deposits one of the financial institutions was under insured or collateralized and exposed the City to custodial credit risk of \$4,002.25. The financial institution had the under insured or collateralized corrected by January 19, 2016.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities those are in the possession of an outside party. As of December 31, 2015 the City had no investments.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. As of December 31, 2015 the City had no investments.

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

Assignment of Investment 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 investments to the fund making the investment.

4. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

	<u>Amount:</u>	<u>Purpose:</u>
Pool Debt Service	\$ 32,166.18	For Debt Service
	<u>\$ 32,166.18</u>	
Water	\$ 19,014.28	For Debt Service, by debt covenants
	52,800.00	For Equipment Repair, by debt covenants
	<u>\$ 71,814.28</u>	
Sewer:	\$ 56,052.20	For Bond Retirement, by debt covenants
	148,366.36	For Debt Service, by debt covenants
	<u>\$ 204,418.56</u>	

5. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$55,827.78 of receivables related to the Community Development Fund, which will be collected over the next several years.

6. Inventory:

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it consumed. Inventories held for resale are recorded on the first-in, first-out cost flow assumption.

Government-wide Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

7. Property Taxes

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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.

8. Changes In General Capital Assets

A summary of changes in capital assets for the year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
Capital Assets not being depreciated				
Land	\$ 85,440.27	\$ -	\$ -	\$ 85,440.27
Capital Assets being depreciated				
Buildings	1,910,146.05	33,061.34	-	1,943,207.39
Improvements other than Buildings	4,495,062.91	200,589.75	-	4,695,652.66
Machinery & Equipment	2,321,579.15	38,048.77	29,367.80	2,330,260.12
Library Books and Audio Material	192,663.00	5,728.00	-	198,391.00
Totals	8,919,451.11	277,427.86	29,367.80	9,167,511.17
Less Accumulated Depreciation for:				
Buildings	661,282.44	35,353.44	-	696,635.88
Improvements other than Buildings	1,043,339.91	113,919.82	-	1,157,259.73
Machinery & Equipment	1,277,048.50	139,780.55	26,201.89	1,390,627.16
Library Books and Audio Material	180,509.00	9,920.00	-	190,429.00
Totals	3,162,179.85	298,973.81	26,201.89	3,434,951.77
Total Capital Assets being Depreciated-Net	5,757,271.26	(21,545.95)	3,165.91	5,732,559.40
Total Capital Assets-Net	\$ 5,842,711.53	\$ (21,545.95)	\$ 3,165.91	\$ 5,817,999.67

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 3,961.49
Public Safety	68,058.09
Public Works	115,195.03
Culture and Recreation	111,759.20
Total Depreciation Expense - Governmental Activities	\$ 298,973.81

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Business-type Activities:				
Capital Assets not being depreciated				
Land	\$ 578,886.43	\$ -	\$ -	\$ 578,886.43
	578,886.43	-	-	578,886.43
Capital Assets being depreciated				
Buildings	292,529.95	-	-	292,529.95
Improvements other than Buildings	6,625,306.22	-	-	6,625,306.22
Machinery & Equipment	225,865.30	5,470.00	-	231,335.30
Totals	7,143,701.47	5,470.00	-	7,149,171.47
Less Accumulated Depreciation for:				
Buildings	207,620.55	5,682.89	-	213,303.44
Improvements other than Buildings	2,396,924.45	107,909.54	-	2,504,833.99
Machinery & Equipment	191,454.46	6,337.23	-	197,791.69
Totals	2,795,999.46	119,929.66	-	2,915,929.12
Total Capital Assets being Depreciated-Net	4,347,702.01	(114,459.66)	-	4,233,242.35
Total Capital Assets-Net	\$ 4,926,588.44	\$ (114,459.66)	\$ -	\$ 4,812,128.78
Depreciation expense was charged to functions as follows:				
Liquor	\$ 990.45			
Water	35,640.01			
Sewer	83,299.20			
Total Depreciation Expense - Business-Type Activities	\$ 119,929.66			

Changes in Component Unit Fixed Assets

A summary of changes in component unit fixed assets for the year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Webster Housing & Redevelopment Commission				
Land	\$ 59,871.91	\$ -	\$ -	\$ 59,871.91
Buildings & Improvements	1,658,821.36	33,245.01	-	1,692,066.37
Machinery & Equipment	39,418.52	1,086.00	-	40,504.52
Total	1,758,111.79	34,331.01	-	1,792,442.80
Less Accumulated Depreciation for:				
Buildings & Improvements	1,207,365.12	95,554.77	-	1,302,919.89
Machinery & Equipment	32,114.22	-	-	32,114.22
Total	1,239,479.34	95,554.77	-	1,335,034.11
Total Capital Assets being Depreciated-Net	518,632.45	(61,223.76)	-	457,408.69

9. Long-Term Debt

A summary of changes in long-term debt follows:

	Balance @ 1/1/2015	Additions	Retired	Balance @ 12/31/2015
Governmental Activities				
Note Payable	\$ 16,156.91	\$ -	\$ 16,156.91	\$ -
Swimming Pool Note	2,030,000.00	-	90,000.00	1,940,000.00
Compensated Absences	69,878.36	31,123.25	32,001.21	69,000.40
Total	\$ 2,116,035.27	\$ 31,123.25	\$ 138,158.12	\$ 2,009,000.40
Business-type Activities:				
State Revolving Fund Loan				
Drinking Water	\$ 166,947.63	\$ -	\$ 16,606.16	\$ 150,341.47
Clean Water	422,802.63	-	42,055.77	380,746.86
Water Meters	134,878.92	-	16,112.76	118,766.16
USDA RD LOAN -Lagoon	1,601,792.02	-	45,115.80	1,556,676.22
Compensated Absences	24,891.20	34,093.28	37,984.43	21,000.05
Total	\$ 2,351,312.40	\$ 34,093.28	\$ 157,874.92	\$ 2,227,530.76

Debt payable at December 31, 2015 is comprised of the following:

	Balance @ 1/1/2015	Additions	Retired	Balance @ 12/31/2015
Component Unit:				
Essential Function Housing				
Development Revenue				
Bonds Payable	\$ 220,399.56	\$ -	\$ 22,195.32	\$ 198,204.24
				<u>2015</u>
Governmental Activities				
Swimming Pool Note				
\$2,200,000 Construction loan for the Aquatic Center; variable interest rate; annual payments, semi-annual interest payments; payments are made by Opt Out property taxes and donations				\$ 1,940,000.00
Total Governmental Activities				<u>\$ 1,940,000.00</u>
Business-type Activities:				
USDA RD Loan-Lagoon				
USDA Rural Development Loan; 3.25% interest rate; \$ 8,042 monthly payments are made from the Sewer Fund.				\$ 1,556,676.22
Revenue Bonds:				
\$277,522 Drinking Water SRF Loan (principal forgiveness of \$107,678); 2.25% interest rate; \$9,963.62 monthly payments are made for the Water Fund				118,766.16
\$318,828 Drinking Water SRF Loan; final maturity date July 1, 2023; 3.50% interest rate; \$5,558 monthly payments are made from the Water Fund (41.83%) and the Sewer Fund (58.17%)				150,341.47
\$811,000 Clean Water SRF Loan, final maturity date July 1, 2023; 3.50% interest rate; \$14,076 monthly payments are made from the Water Fund (41.83%) and the Sewer Fund (58.17%)				380,746.86
Total Business-Type Activities				<u>\$ 2,206,530.71</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The annual requirements to amortize all debt outstanding as of December 31, 2015, are as follows:

Governmental Activities:

Year Ending	Aquatic Center	
	Principal	Interest
2016	\$ 90,000.00	\$ 67,007.50
2017	90,000.00	65,747.50
2018	95,000.00	62,552.50
2019	95,000.00	60,415.00
2020	95,000.00	58,040.00
2021-2025	535,000.00	243,535.00
2026-2030	645,000.00	137,980.00
2031-2032	295,000.00	17,800.00
	<u>\$ 1,940,000.00</u>	<u>\$ 713,077.50</u>

Business-type Activities:

Year Ending	USDA Rural Development	
	Principal	Interest
2016	46,602.10	49,901.90
2017	48,139.43	48,364.56
2018	49,727.48	46,776.51
2019	51,367.92	45,136.08
2020	53,062.46	43,441.53
2021-2025	292,752.96	189,767.00
2026-2030	344,333.08	138,186.87
2031-2035	405,001.11	77,518.83
2036-2038	265,689.68	13,026.94
	<u>1,556,676.22</u>	<u>652,120.22</u>

Year Ending	State Revolving Fund Loan -		State Revolving Fund Loan -		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 17,195.06	\$ 5,037.90	\$ 43,547.14	\$ 12,758.74	\$ 60,742.20	\$ 17,796.64
2017	17,804.82	4,428.14	45,091.42	11,214.46	62,896.24	15,642.60
2018	18,436.23	3,796.73	46,690.46	9,615.42	65,126.69	13,412.15
2019	19,090.01	3,142.95	48,346.19	7,959.69	67,436.20	11,102.64
2020	19,766.98	2,465.98	50,060.65	6,245.23	69,827.63	8,711.21
2020-2024	58,048.37	3,092.26	147,011.00	7,830.22	205,059.37	10,922.48
	<u>\$ 150,341.47</u>	<u>\$ 21,963.96</u>	<u>\$ 380,746.86</u>	<u>\$ 55,623.76</u>	<u>\$ 531,088.33</u>	<u>\$ 77,587.72</u>

The significant covenants for the Drinking Water and the Clean Water State Revolving Fund Loans include:

1. The system property is to be insured with property and casualty insurance and liability insurance with insurers licensed to do business in the State, or risk pool coverage programs described in SDCL Chapter 3-22 against such risks and in such amounts as are customary in the State for entities of the same or similar size and type of facilities.
2. Each year the final budget needs to be sent to the South Dakota Conservancy District within 30 days of adoption.
3. A copy of the financial and compliance audit required by state law must be sent to the South Dakota Conservancy District within 15 days of approval by the State Department of Legislative Audit. If the audit report is for two fiscal years it must be completed within one year of the last fiscal year included in the audit.
4. Each fiscal year the City shall ensure that the Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such year. Net Revenues Available for Debt Service is defined as “total operating revenues from the system, excluding investment income, grants, penalties, hook-up fees, sign-up fees, membership fees and similar income not received from the use of the System by the users, but including the proceeds of any business interruption insurance, less expenses of such System other than amortization of financing expenses, depreciation and interest, provided there shall be excluded from both revenues and expenses any profits or losses on the early extinguishment of debt or the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and other extraordinary gains or losses.” System Debt Service is defined as “for the period of determination, all required payments of principal and interest, including mandatory sinking fund redemptions, on all System Revenue Debt of the Borrower.”

The City is in compliance with all covenants.

The Sewer Fund use charges must be established to a level not less than 110% of principal and interest due in the same year. The required amount was \$156,409.05; the Sewer Fund Net Revenues Available for Debt Service was \$312,077, which meets the requirement.

The Water Fund use charges must be established to a level not less than 110% of principal and interest

due in the same year. The required amount was \$79,978.00; the Water Fund Net Revenues Available for Debt Service was \$127,283 which meets the requirement.

The significant covenants for the Lagoon Loan include the Sewer Fund Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such year; 10% of the annual debt service to be accrued until the balance reaches \$100,392.00; and the excess of surcharges collected over principal and interest payments to be accumulated for Bond Debt Service. The Sewer Fund meets these requirements.

The significant covenants for the Water Meter Loan include Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such year; accrue one-third the quarterly payment for Debt Service; and to accrue an amount determined by the City Council for equipment repairs. The Water Fund meets these requirements.

10. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2015 were all repaid by the end of the year

11. Interfund Transfers:

The interfund transfers for the year ended December 31, 2015 were as follows:

Transfers to:	Transfers from:	Amount
General Fund	Pool Debt Service Fund	\$ 7,500.00
Pool Debt Service Fund	General Fund	52,500.00
		\$ 60,000.00

The transfer from the General Fund to the Pool Debt Service Fund was to reclassify opt out property taxes collected for the payment of debt payments in 2015. The transfer from the Swimming Pool Construction Fund to the General Fund was to correct the prior year transfer of excess opt out property taxes collected.

12. Accounting Change / Restatement

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Business-Type Activities
Net Position January 1, 2015, as previously reported	\$ 4,300,340.89	\$ 4,414,743.70
Restatement for Pension accounting:		
Net Pension Asset	125,805.36	40,107.21
Pension Related Deferred Outflows of Resources	(5,440.26)	4,927.30
Net Position January 1, 2015, as restated	\$ 4,420,705.99	\$ 4,459,778.21

13. Pension 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee’s final 3-year average compensation times the employee’s years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of 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 fiscal years ended December 31, 2015, 2014, and 2013 were \$35,128.69, \$38,563.71 and \$37,638.65, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

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 Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 3,906,170.14
Less proportionate share of net position liability	<u>3,752,436.26</u>
Proportionate share of net position liability (asset)	<u><u>\$ 153,733.88</u></u>

At December 31, 2015, the Municipality reported an asset of \$153,733.88 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the Municipality’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality’s proportion was 0.0362470%, which is a decrease of 0.0000868% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense of \$16,778.58. At

December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 31,477.71	\$ -
Changes in assumption.	121,901.29	-
Net Differences between projected and actual earnings on pension plan investments.	93,913.43	226,837.28
Changes in proportion and difference between City contributions and proportionate share of contributions	280.64	-
City contributions subsequent to the measurement date	<u>21,380.95</u>	<u>-</u>
Total	<u>\$ 268,954.02</u>	<u>\$ 226,837.28</u>

\$21,380.95 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	
2016	\$ (66,069.00)
2017	(66,069.00)
2018	(66,069.00)
2019	<u>(70,747.00)</u>
Total	<u>\$ (268,954.00)</u>

Actuarial Assumptions:

The total pension 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee 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 asset.

Sensitivity of asset to changes in the discount rate:

The following presents the Municipality's proportionate share of net pension 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 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	386,946.46	(153,733.88)	(594,612.15)

Pension Plan Fiduciary Net Position:

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

13. **Significant Contingencies – Litigation:**

At December 31, 2015, the City was not involved in any litigation.

14. **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 period ended December 31, 2015, the City managed its risks as follows:

Employee Health Insurance:

The City joined 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 Governmental General and Professional Liability, Municipal Auto Physical Damage, Municipal Property Coverage, and Municipal Comprehensive Crime Coverage. 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 for property coverage and \$500,000 for liability coverage 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 a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2014, the City has vested balance in the cumulative reserve fund of \$44,118.

The City carries a \$100 deductible for the automobile comprehensive coverage and \$500 deductible for the automobile collision coverage and \$250 deductible for the property coverage.

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

Worker's Compensation:

The City joined the South Dakota Municipal League 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 self-funded program 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 \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits or a combined employer liability of \$2,000,000 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 provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

15. Subsequent Events:

The City has evaluated for subsequent events through June 22, 2016, the date which the financial statements were available to be issued and is not aware of any events which would require recognition or disclosure in the financial statements.

CITY OF WEBSTER

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary	Final Budget - Positive
			Basis)	(Negative)
Revenues:				
Taxes:				
General Property Taxes	\$ 452,000.00	\$ 452,000.00	\$ 454,394.78	\$ 2,394.78
General Sales and Use Taxes	702,200.00	702,200.00	909,100.86	206,900.86
Gross Receipts Business Taxes	16,000.00	16,000.00	16,397.51	397.51
Amusement Taxes	700.00	700.00	216.00	(484.00)
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	1,700.09	200.09
Licenses and Permits	8,000.00	8,000.00	7,833.50	(166.50)
Intergovernmental Revenue:				
Federal Grants	-	60,493.60	80,486.57	19,992.97
State Grants	-	3,979.00	7,123.45	3,144.45
State Shared Revenue:				
Bank Franchise Tax	7,000.00	7,000.00	7,726.10	726.10
Motor Vehicle Commercial Prorate	-	-	4,294.21	4,294.21
Liquor Tax Reversion	12,000.00	12,000.00	11,763.62	(236.38)
Motor Vehicle Licenses (5%)	17,000.00	17,000.00	17,840.54	840.54
Local Government Highway and Bridge Fund	66,000.00	66,000.00	70,257.62	4,257.62
County Shared Revenue:				
County Road Tax (25%)	7,000.00	7,000.00	7,051.04	51.04
County HBR Tax (25%)	5,000.00	5,000.00	3,784.59	(1,215.41)
County Wheel Tax	7,000.00	7,000.00	7,760.00	760.00
County Payments in Lieu of Taxes	2,000.00	2,000.00	2,711.25	711.25
Charges for Goods and Services:				
General Government	4,000.00	4,000.00	7,290.18	3,290.18
Public Safety	7,000.00	7,000.00	7,331.86	331.86
Culture and Recreation	119,000.00	119,000.00	127,789.47	8,789.47
Cemetery	12,000.00	12,000.00	14,975.00	2,975.00
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	762.60	(237.40)
Parking Meter Fines	500.00	500.00	975.00	475.00
Miscellaneous Revenue:				
Investment Earnings	4,000.00	4,000.00	159.28	(3,840.72)
Rentals	3,000.00	3,000.00	15,435.50	12,435.50
Special Assessments	500.00	500.00	385.00	(115.00)
Contributions and Donations				
from Private Sources	-	-	1,100.01	1,100.01
Other	-	-	14,944.13	14,944.13
Total Revenue	\$ 1,454,400.00	\$ 1,518,872.60	\$ 1,801,589.76	\$ 282,717.16

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary)</u>	<u>Final Budget -</u> <u>Positive</u>
Expenditures:				
General Government:				
Legislative	\$ 13,500.00	\$ 13,600.00	\$ 13,507.41	\$ 92.59
Contingency	142,000.00	-	-	-
Elections	1,000.00	1,000.00	14.36	985.64
Financial Administration	148,000.00	151,500.00	146,209.41	5,290.59
Other	59,000.00	65,000.00	65,096.68	(96.68)
Total General Government	<u>363,500.00</u>	<u>231,100.00</u>	<u>224,827.86</u>	<u>6,272.14</u>
Public Safety:				
Police	315,000.00	348,400.00	346,823.21	1,576.79
Fire	25,000.00	31,000.00	42,731.60	(11,731.60)
Total Public Safety	<u>340,000.00</u>	<u>379,400.00</u>	<u>389,554.81</u>	<u>(10,154.81)</u>
Public Works:				
Highways and Streets	619,700.00	629,708.99	537,357.13	92,351.86
Airport	15,000.00	85,493.60	69,560.81	15,932.79
Cemetery	35,000.00	43,100.00	42,106.45	993.55
Total Public Works	<u>669,700.00</u>	<u>758,302.59</u>	<u>649,024.39</u>	<u>109,278.20</u>
Culture and Recreation:				
Recreation	238,200.00	277,200.00	274,162.62	3,037.38
Parks	68,000.00	142,979.00	140,303.64	2,675.36
Libraries	60,000.00	60,000.00	56,915.54	3,084.46
Total Culture and Recreation	<u>366,200.00</u>	<u>480,179.00</u>	<u>471,381.80</u>	<u>8,797.20</u>
Miscellaneous:				
Other Expenditures	20,000.00	20,000.00	20,000.00	-
Total Miscellaneous	<u>20,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>	-
Total Expenditures	<u>1,759,400.00</u>	<u>1,868,981.59</u>	<u>1,754,788.86</u>	<u>114,192.73</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(305,000.00)</u>	<u>(350,108.99)</u>	<u>46,800.90</u>	<u>396,909.89</u>
Other Financing Sources (Uses):				
Transfers In (Out)	-	(45,000.00)	(45,000.00)	-
Sale of Municipal Property	-	-	50.00	50.00
Compensation for Loss or				
Damage to Capital Assets	-	4,008.99	33,272.86	29,263.87
Total Other Financing Sources (Uses)	<u>-</u>	<u>(40,991.01)</u>	<u>(11,677.14)</u>	<u>29,313.87</u>
Net Change in Fund Balances	<u>(305,000.00)</u>	<u>(391,100.00)</u>	<u>35,123.76</u>	<u>426,223.76</u>
Change in Fund Balance Reserves				
Fund Balance - Beginning	<u>191,967.25</u>	<u>191,967.25</u>	<u>191,967.25</u>	-
FUND BALANCE - ENDING	<u>\$ (113,032.75)</u>	<u>\$ (199,132.75)</u>	<u>\$ 227,091.01</u>	<u>\$ 426,223.76</u>

CITY OF WEBSTER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	\$ 5,500.00	\$ 5,500.00	\$ 1,624.61	\$ (3,875.39)
Other	44,500.00	44,500.00	-	(44,500.00)
Total Revenue	<u>50,000.00</u>	<u>50,000.00</u>	<u>1,624.61</u>	<u>(48,375.39)</u>
Expenditures:				
Conservation and Development:				
Economic Opportunity	500,000.00	500,000.00	28,000.00	472,000.00
Total Conservation and Development	<u>500,000.00</u>	<u>500,000.00</u>	<u>28,000.00</u>	<u>472,000.00</u>
Total Expenditures	<u>500,000.00</u>	<u>500,000.00</u>	<u>28,000.00</u>	<u>472,000.00</u>
Net Change in Fund Balances	<u>(450,000.00)</u>	<u>(450,000.00)</u>	<u>(26,375.39)</u>	<u>423,624.61</u>
Fund Balance - Beginning	<u>210,190.87</u>	<u>210,190.87</u>	<u>210,190.87</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (239,809.13)</u>	<u>\$ (239,809.13)</u>	<u>\$ 183,815.48</u>	<u>\$ 423,624.61</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
POOL DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 73,000.00	\$ -	\$ 72,543.73	\$ 72,543.73
Penalties and Interest on Delinquent Taxes	-		248.02	248.02
Intergovernmental Revenue:				
County Payments in Lieu of Taxes	-		429.65	429.65
Miscellaneous Revenue:				
Investment Earnings	-	-	15.85	15.85
Contributions and Donations from Private Sources	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ -</u>
Total Revenue	<u>123,000.00</u>	<u>50,000.00</u>	<u>123,237.25</u>	<u>73,237.25</u>
Expenditures:				
Debt Service	<u>157,100.00</u>	<u>166,100.00</u>	<u>158,507.02</u>	<u>7,592.98</u>
Total Expenditures	<u>157,100.00</u>	<u>166,100.00</u>	<u>158,507.02</u>	<u>7,592.98</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(34,100.00)</u>	<u>(116,100.00)</u>	<u>(35,269.77)</u>	<u>80,830.23</u>
Other Financing Sources (Uses):				
Transfers In (Out)	<u>34,100.00</u>	<u>34,100.00</u>	<u>45,000.00</u>	<u>10,900.00</u>
Total Other Financing Sources (Uses)	<u>34,100.00</u>	<u>34,100.00</u>	<u>45,000.00</u>	<u>10,900.00</u>
Net Change in Fund Balances	<u>-</u>	<u>(82,000.00)</u>	<u>9,730.23</u>	<u>91,730.23</u>
Fund Balance - Beginning	<u>22,435.95</u>	<u>22,435.95</u>	<u>22,435.95</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 22,435.95</u>	<u>\$ (59,564.05)</u>	<u>\$ 32,166.18</u>	<u>\$ 91,730.23</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

Note 1 Budgets and Budgetary Accounting:

The City followed these procedures in establishing the budgetary data reflected in the schedules:

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

Note 2 GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

Schedule of Required Supplementary Information
CITY OF WEBSTER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION ASSET
South Dakota Retirement System

	2015	2014
Municipality's proportion of the net pension asset	0.0362470%	0.036334%
Municipality's proportionate of the net pension asset	153,733.86	
Municipality's covered-employee payroll	601,454.33	
Municipality's proportionate of the net pension asset as a percentage of its covered-employee payroll	25.5604%	
Plan fiduciary net position as a percentage of the total pension asset	104.10%	107.29%

The accompanying notes to the financial statements are an integral part of this statement.

Schedule of Required Supplementary Information
CITY OF WEBSTER
SCHEDULE OF THE CITY'S CONTRIBUTIONS
South Dakota Retirement System

	2015
Contractually required contributions	\$ 39,466.23
Contributions in relation to the contractually required contributions	\$ 39,466.23
Contributions deficiency (excess)	\$ -
City's covered-employee payroll	\$ 601,454.33
Contributions as a percentage of covered-employee payroll	6.5618%

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
SUPPLEMENTARY INFORMATION

CITY OF WEBSTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Schedule 1

	Liquor, Lodging, Dining Sales Tax	Library Fines Fund	Golf Course Caddie Fund	Diamond Trust Fund	Total Nonmajor Governmental Funds
ASSETS :					
Cash and Cash Equivalents	\$ 131,334.03	\$ 13,394.68	\$ 7,416.20	\$ 8,527.78	\$ 160,672.69
Due from State & County Governments	7,653.52	-	-	-	7,653.52
TOTAL ASSETS	<u>\$ 138,987.55</u>	<u>\$ 13,394.68</u>	<u>\$ 7,416.20</u>	<u>\$ 8,527.78</u>	<u>\$ 168,326.21</u>
LIABILITIES FUND BALANCES:					
Liabilities:					
Accounts Payable	241.72	-	-	-	241.72
Total Liabilities	241.72	-	-	-	241.72
FUND BALANCES:					
Restricted	138,745.83	13,394.68	7,416.20	8,527.78	168,084.49
Total Fund Balances	138,745.83	13,394.68	7,416.20	8,527.78	168,084.49
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 138,987.55</u>	<u>\$ 13,394.68</u>	<u>\$ 7,416.20</u>	<u>\$ 8,527.78</u>	<u>\$ 168,326.21</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

Schedule 2

	Liquor, Lodging, Dining Sales Tax	Library Fines Fund	Golf Course Caddie Fund	Diamond Trust Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes:					
General Sales and Use Taxes	\$ 68,113.38	\$ -	\$ -	\$ -	\$ 68,113.38
Charges for Goods and Services:					
Culture and Recreation	-	449.21	-	-	449.21
Fines and Forfeits:					
Library	-	215.48	-	-	215.48
Miscellaneous Revenue:					
Investment Earnings	176.18	22.59	3.05	4.97	206.79
Rentals	-	138.20	-	-	138.20
Donations from Private Sources	-	2,016.46	-	42,724.40	44,740.86
Other	-	-	3,837.00	-	3,837.00
Total Revenue	68,289.56	2,841.94	3,840.05	42,729.37	117,700.92
Expenditures:					
General Government:					
Other	2,000.00	-	-	-	2,000.00
Total General Government	2,000.00	-	-	-	2,000.00
Public Works:					
Transit	3,000.00	-	-	-	3,000.00
Total Public Works	3,000.00	-	-	-	3,000.00
Culture and Recreation:					
Recreation	-	-	2,117.25	43,970.40	46,087.65
Parks	1,308.67	-	-	-	1,308.67
Libraries	-	1,290.67	-	-	1,290.67
Auditorium	25,000.00	-	-	-	25,000.00
Total Culture and Recreation	26,308.67	1,290.67	2,117.25	43,970.40	73,686.99
Conservation and Development:					
Economic Opportunity	20,000.00	-	-	-	20,000.00
Total Conservation and Development	20,000.00	-	-	-	20,000.00
Total Expenditures	51,308.67	1,290.67	2,117.25	43,970.40	98,686.99
Net Change in Fund Balances	16,980.89	1,551.27	1,722.80	(1,241.03)	19,013.93
Fund Balance - Beginning	121,764.94	11,843.41	5,693.40	9,768.81	149,070.56
FUND BALANCE- ENDING	\$ 138,745.83	\$ 13,394.68	\$ 7,416.20	\$ 8,527.78	\$ 168,084.49

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING, DINING SALES TAXES
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule 3

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 58,000.00	\$ 58,000.00	\$ 68,113.38	\$ 10,113.38
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	176.18	(1,823.82)
Total Revenue	<u>60,000.00</u>	<u>60,000.00</u>	<u>68,289.56</u>	<u>8,289.56</u>
Expenditures:				
General Government:				
Other	7,000.00	7,000.00	2,000.00	5,000.00
Total General Government	<u>7,000.00</u>	<u>7,000.00</u>	<u>2,000.00</u>	<u>5,000.00</u>
Public Works:				
Transit	3,000.00	3,000.00	3,000.00	-
Total Public Works	<u>3,000.00</u>	<u>3,000.00</u>	<u>3,000.00</u>	<u>-</u>
Culture and Recreation:				
Parks	3,500.00	3,500.00	1,308.67	2,191.33
Auditorium	25,000.00	25,000.00	25,000.00	-
Total Culture and Recreation	<u>28,500.00</u>	<u>28,500.00</u>	<u>26,308.67</u>	<u>2,191.33</u>
Conservation and Development:				
Economic Opportunity	21,500.00	21,500.00	20,000.00	1,500.00
Total Conservation and Development	<u>21,500.00</u>	<u>21,500.00</u>	<u>20,000.00</u>	<u>1,500.00</u>
Total Expenditures	<u>60,000.00</u>	<u>60,000.00</u>	<u>51,308.67</u>	<u>8,691.33</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>16,980.89</u>	<u>16,980.89</u>
Fund Balance - Beginning	<u>121,764.94</u>	<u>121,764.94</u>	<u>121,764.94</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 121,764.94</u></u>	<u><u>\$ 121,764.94</u></u>	<u><u>\$ 138,745.83</u></u>	<u><u>\$ 16,980.89</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF WEBSTER

GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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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 Members of the
City Council of Webster, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Webster, South Dakota, as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2016 which was unqualified. We are excluding from our opinions the financial statements of Webster Housing and Redevelopment Commission which have not been audited, and which we were not engaged to audit, as part of our audit of the City's basic financial statements. Webster Housing and Redevelopment Commission's financial activities are included in the City's basic financial statements as a discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control, such that is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item numbers 2015-001, 2015-002, and 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City'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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Grant and Williams, Inc.

Grant and Williams, Inc.
Certified Public Accountants
Sioux Falls, SD 57104
June 22, 2016

**CITY OF WEBSTER
SCHEDULE OF PRIOR AUDIT FINDINGS**

Prior Other Audit Findings:

Finding Number 2014-001

Segregation of Duties – A significant deficiency and material weakness was reported relating to a lack of segregation of duties.

Current status – The lack of segregation of duties continues to exist in relation to the revenue function. The City has determined it is not cost beneficial to employ additional personnel to ensure adequate segregation of duties. The condition is restated as a current significant deficiency and material weakness as Finding 2015-1.

Finding Number 2014-002

Fire Department Federal Grant for Equipment – The Fire Department received a Federal Grant for fire equipment but did not inform the City of the grant or the expenditure for the equipment purchases.

Current status – The Fire Department did not receive another grant in 2015.

**CITY OF WEBSTER
SCHEDULE OF CURRENT AUDIT FINDINGS**

Current Other Audit Findings:

Internal Control-Related Findings – Material Weaknesses:

Finding Number 2015-001

Segregation of Duties – A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues, expenditures and payroll, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This has been reported in prior year audit reports.

Criteria: Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition: There are only two persons that perform all of the duties for revenues, expenditures and payroll. Only the Finance Officer prepares the financial statements and monthly reports to the City Council.

Effect: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues, expenditures and payroll. Lack of this segregation of duties could adversely affect the City's ability to record, process, summarize and report financial data consistent with management assertions.

Recommendation: We recommend that the City of Webster's officials be cognizant of this lack of segregation of duties for revenues, expenditures and payroll and attempt to provide compensating controls whenever and wherever possible and practical.

Management's Response: The City of Webster Mayor, Mike Grosek is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the City of Webster, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Finding Number 2015-002

Fire Department Exceeded Budget for Expenditures – The Fire Department received permission for a repair on equipment from the City Council in September, but the approved expenditure amount was not budgeted for after approval. The Finance Officer received the invoice in February 2016 for a greater amount than authorized.

Criteria: Any expenditure needs to be budgeted and approved by the City Council to be purchased.

Condition: The Fire Department did not get the equipment repair budgeted by the City Council after approval.

Effect: The Fire Department budget was overspent by \$11,731.60 for the year.

Recommendation: We recommend that the City of Webster's officials and the Fire Department have an approved budget large enough to include the equipment purchases of Federal Grants.

Management's Response: The City of Webster Mayor, Mike Grosek is the contact person responsible for the corrective action plan for this comment. We are aware of this problem and are attempting to correct the issue.

Finding Number 2015-003

Library Board lack of oversight on checking account – The expenditures from the Library’s checking account did not comply with South Dakota State Statutes.

Criteria: Any expenditure needs to comply with (1) SDCL 9-14-21 which needs a financial official audit, adjust all claims and demands against them before being allowed by the governing body; (2) SDCL 9-23-1 in which the invoice with the voucher must be verified by another person; (3) SDCL 9-23-2 which requires the claims to be itemized in the minutes.

Condition: The actual vouchers were not reviewed by any of the Library Board members, no adjustments were made to correct errors and the vouchers were no itemized in the minutes.

Effect: The Library Board paid for expenditures that were not properly calculated and did not have supporting invoices for those expenditures.

Recommendation: We recommend that the City of Webster’s officials and the Library Board work to get an acceptable method of approvals and verifying the vouchers before payments are approved and published by the Library Board.

Management’s Response: The City of Webster Mayor, Mike Grosek is the contact person responsible for the corrective action plan for this comment. We are aware of this problem and are attempting to correct the issue.