

**MUNICIPALITY OF WINNER**  
WINNER, SOUTH DAKOTA

**AUDIT REPORT**

FOR THE YEAR JANUARY 1, 2015 TO DECEMBER 31, 2015

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WINNER

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2015

MAYOR:

Jess Keesis

GOVERNING BOARD:

Frank Finney, President  
Dave Baker, Vice-President  
Jodi Brozik  
Jena Littau  
John Meyer  
Brad Schramm

FINANCE OFFICER:

Rhonda Augspurger

ATTORNEY:

Paul Jensen

*Schoenfish & Co., Inc.*

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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

Governing Board  
Municipality of Winner  
Winner, 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 Municipality of Winner, South Dakota (Municipality), as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality'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 2015-001 to be a material weakness.

Compliance and Other Matters

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

express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2015-002.

#### Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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 Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 11, 2016

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2014-001:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This comment has not been corrected and is restated as Current Other Audit Finding number 2015-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control Related Finding:

Finding Number 2015-001:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This is the third consecutive audit in which a similar comment has occurred.

Criteria:

Accurate and complete financial information must be presented to be useful to the users of these statements.

Condition:

Significant errors and omissions were noted in the annual financial statements. The financial statements in this report have been adjusted to take into account the errors and omissions.

Effect:

As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:

1. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles.

Management's Response:

The Municipality of Winner Mayor, Frank Finney, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2015-002:

Expenditures exceeded the amounts budgeted in the 24/7 Sobriety Fund and the 911 Communication Fund. The General Fund and the Liquor, Lodging and Dining Fund were budgeted to spend more money than was available in 2015. This is the first audit in which this comment has occurred.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality budgeted to spend more than available, which is not allowed as stated in SDCL 9-21-9.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

2. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of Winner Mayor, Frank Finney, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit and recommendations were discussed with the officials during the course of the audit and with the mayor and the finance officer on June 16, 2016.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS  
Phone: 605-928-7241  
FAX No.: 605-928-1441  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Winner  
Winner, South Dakota

Report on the Financial Statements

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 the Municipality of Winner, South Dakota, (Municipality) as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's 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 misstatements, 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 Municipality'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 Municipality'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.

Opinions

In our opinion, the financial statements referred to above 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 Municipality as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for 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 described in Note 11 to the financial statements, the Municipality adopted the provisions of Governmental Accounting Standards Board 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 11 to the financial statements, the Municipality 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 Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 46 through 50, 52, and 53, respectively 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 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.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016 on our consideration of the Municipality'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 *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 11, 2016

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**MUNICIPALITY OF WINNER**  
**STATEMENT OF NET POSITION**  
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	213,745.81	1,898,268.49	2,112,014.30
Accounts Receivable, Net	326,675.74	478,657.45	805,333.19
Inventories	70,122.51	613,080.89	683,203.40
Net Pension Asset	568,442.20	114,787.36	683,229.56
Capital Assets:			
Land and Construction Work in Progress	41,307.00	1,281,467.31	1,322,774.31
Other Capital Assets, Net of Depreciation	9,709,769.01	10,842,904.40	20,552,673.41
<b>TOTAL ASSETS</b>	<b>10,930,062.27</b>	<b>15,229,165.90</b>	<b>26,159,228.17</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	999,937.21	201,920.55	1,201,857.76
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>999,937.21</b>	<b>201,920.55</b>	<b>1,201,857.76</b>
<b>LIABILITIES :</b>			
Accounts Payable		20,591.69	20,591.69
Other Current Liabilities		110,602.16	110,602.16
Noncurrent Liabilities:			
Due Within One Year	276,322.76	169,908.30	446,231.06
Due in More than One Year	1,620,796.95	1,464,064.15	3,084,861.10
<b>TOTAL LIABILITIES</b>	<b>1,897,119.71</b>	<b>1,765,166.30</b>	<b>3,662,286.01</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	846,335.69	170,903.29	1,017,238.98
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>846,335.69</b>	<b>170,903.29</b>	<b>1,017,238.98</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,030,209.09	10,534,429.27	18,564,638.36
Restricted for:			
Debt Service Purposes	54,791.84		54,791.84
SDRS Pension Purposes	722,043.72	145,804.62	867,848.34
Permanently Restricted Purposes			
Non-Expendable	46,975.23		46,975.23
911 Communications Purposes	163.16		163.16
24/7 Sobriety Purposes	92,025.75		92,025.75
Swimming Pool and Park Purposes	23,460.64		23,460.64
Unrestricted (Deficit)	216,874.65	2,814,782.97	3,031,657.62
<b>TOTAL NET POSITION</b>	<b>9,186,544.08</b>	<b>13,495,016.86</b>	<b>22,681,560.94</b>

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

**MUNICIPALITY OF WINNER  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	533,155.26	90,976.60			(442,178.66)		(442,178.66)
Public Safety	3,291,213.94	2,018,061.77	339,430.59	24,950.00	(908,771.58)		(908,771.58)
Public Works	868,696.20	38,890.94	132,124.48	3,570.00	(694,110.78)		(694,110.78)
Health and Welfare	26,133.95		5,231.00		(20,902.95)		(20,902.95)
Culture and Recreation	575,866.42	27,085.91			(548,780.51)		(548,780.51)
Conservation and Development	95,057.34				(95,057.34)		(95,057.34)
*Interest on Long-term Debt	81,059.16				(81,059.16)		(81,059.16)
<b>Total Governmental Activities</b>	<b>5,471,182.27</b>	<b>2,175,015.22</b>	<b>476,786.07</b>	<b>28,520.00</b>	<b>(2,790,860.98)</b>		<b>(2,790,860.98)</b>
Business-type Activities:							
Water	467,526.52	589,566.16				122,039.64	122,039.64
Sewer	361,091.27	334,178.14				(26,913.13)	(26,913.13)
Light	3,111,818.58	4,095,311.82				983,493.24	983,493.24
Sanitation	508,141.90	525,806.46				17,664.56	17,664.56
Airport	265,252.27	1,632.65		607,175.80		343,556.18	343,556.18
<b>Total Business-type Activities</b>	<b>4,713,830.54</b>	<b>5,546,495.23</b>	<b>0.00</b>	<b>607,175.80</b>		<b>1,439,840.49</b>	<b>1,439,840.49</b>
<b>Total Primary Government</b>	<b>10,185,012.81</b>	<b>7,721,510.45</b>	<b>476,786.07</b>	<b>635,695.80</b>	<b>(2,790,860.98)</b>	<b>1,439,840.49</b>	<b>(1,351,020.49)</b>

**General Revenues:**

Taxes:		
Property Taxes	627,705.12	627,705.12
Sales Taxes	1,626,514.14	1,626,514.14
State Shared Revenues	18,823.27	18,823.27
Unrestricted Investment Earnings	28,765.95	7,265.24
Miscellaneous Revenue	18,529.52	14,066.03
Transfers	957,981.55	(957,981.55)
<b>Total General Revenues and Transfers</b>	<b>3,278,319.55</b>	<b>(936,650.28)</b>
<b>Change in Net Position</b>	<b>487,458.57</b>	<b>503,190.21</b>
<b>Net Position - Beginning</b>	<b>8,081,302.65</b>	<b>12,867,075.78</b>
Adjustments:		
GASB 68 Implementation	617,782.86	124,750.89
<b>Adjusted Net Position - Beginning</b>	<b>8,699,085.51</b>	<b>12,991,826.67</b>
<b>NET POSITION - ENDING</b>	<b>9,186,544.08</b>	<b>13,495,016.88</b>

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

**MUNICIPALITY OF WINNER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015**

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	24/7 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	3,547.56	16,242.27	92,025.75	163.16	54,791.84	46,975.23	213,745.81
Taxes Receivable--Delinquent	25,563.20				2,193.44		27,756.64
Accounts Receivable, Net	215,446.42						215,446.42
Special Assessments Receivable--Delinquent	5,712.00						5,712.00
Due from State Government	70,542.31	7,218.37					77,760.68
Inventory of Supplies	70,122.51						70,122.51
<b>TOTAL ASSETS</b>	<b>390,934.00</b>	<b>23,460.64</b>	<b>92,025.75</b>	<b>163.16</b>	<b>56,985.28</b>	<b>46,975.23</b>	<b>610,544.06</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	25,563.20				2,193.44		27,756.64
Unavailable Revenue - Special Assessments	5,712.00						5,712.00
<b>Total Deferred Inflows of Resources</b>	<b>31,275.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,193.44</b>	<b>0.00</b>	<b>33,468.64</b>
Fund Balances:							
Nonspendable for Inventory	70,122.51						70,122.51
Nonspendable for Cemetery Perpetual Care						46,975.23	46,975.23
Restricted for Swimming Pool & Parks		23,460.64					23,460.64
Restricted for 24/7 Sobriety			92,025.75				92,025.75
Restricted for 911 Communications				163.16			163.16
Restricted for Debt Service					54,791.84		54,791.84
Assigned for Next Year's Budget	289,536.29						289,536.29
<b>Total Fund Balances</b>	<b>359,658.80</b>	<b>23,460.64</b>	<b>92,025.75</b>	<b>163.16</b>	<b>54,791.84</b>	<b>46,975.23</b>	<b>577,075.42</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>390,934.00</b>	<b>23,460.64</b>	<b>92,025.75</b>	<b>163.16</b>	<b>56,985.28</b>	<b>46,975.23</b>	<b>610,544.06</b>

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

**MUNICIPALITY OF WINNER**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2015**

Total Fund Balances - Governmental Funds	<u>577,075.42</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>568,442.20</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>9,751,076.01</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>999,937.21</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,897,119.71)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>33,468.64</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(846,335.69)</u>
Net Position - Governmental Activities	<u><u>9,186,544.08</u></u>

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	<b>General Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>24/7 Sobriety Fund</b>	<b>911 Communications Fund</b>	<b>Pool Debt Service Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>							
Taxes:							
General Property Taxes	583,829.10				40,414.62		624,243.72
Airflight Property Tax	1,407.58						1,407.58
General Sales and Use Taxes	1,517,906.12	108,608.02					1,626,514.14
Amusement Tax	1,236.00						1,236.00
Penalties and Interest on Delinquent Taxes	2,683.15				275.80		2,958.95
Licenses and Permits	28,712.87						28,712.87
Intergovernmental Revenue:							
State Grants	5,231.00						5,231.00
State Shared Revenue:							
Bank Franchise Tax	802.85						802.85
Prorate License Fees	6,422.19						6,422.19
Liquor Tax Reversion	18,014.48						18,014.48
Motor Vehicle Licenses	38,672.53						38,672.53
Local Government Highway and Bridge Fund	87,029.76						87,029.76
911 Remittances				339,430.59			339,430.59
County Shared Revenue:							
Other	5.94						5.94
Charges for Goods and Services:							
General Government	62,263.73						62,263.73
Public Safety	1,978,242.88		39,342.64				2,017,585.52
Culture and Recreation	27,085.91						27,085.91
Cemetery	36,250.94					2,640.00	38,890.94
Fines and Forfeits:							
Court Fines and Costs	476.25						476.25
Miscellaneous Revenue:							
Investment Earnings	26,949.79			1,816.16			28,765.95
Other	18,043.16			486.36			18,529.52
<b>Total Revenue</b>	<b>4,441,266.23</b>	<b>108,608.02</b>	<b>39,342.64</b>	<b>341,733.11</b>	<b>40,690.42</b>	<b>2,640.00</b>	<b>4,974,280.42</b>

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	24/7 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
<b>Expenditures:</b>							
General Government:							
Executive	74,802.83						74,802.83
Elections	852.00						852.00
Financial Administration	261,573.02						261,573.02
Other	198,326.66						198,326.66
Total General Government	535,554.51	0.00	0.00	0.00	0.00	0.00	535,554.51
Public Safety:							
Police	758,263.97		23,348.34				781,612.31
Fire	54,794.72						54,794.72
Other Protection	1,714,231.73			627,509.59			2,341,741.32
Total Public Safety	2,527,290.42	0.00	23,348.34	627,509.59	0.00	0.00	3,178,148.35
Public Works:							
Highways and Streets	510,354.69						510,354.69
Cemeteries	33,270.25						33,270.25
Total Public Works	543,624.94	0.00	0.00	0.00	0.00	0.00	543,624.94
Health and Welfare:							
Health	26,133.95						26,133.95
Total Health and Welfare	26,133.95	0.00	0.00	0.00	0.00	0.00	26,133.95
Culture and Recreation:							
Recreation	149,968.68						149,968.68
Parks	300,329.45						300,329.45
Total Culture and Recreation	450,298.13	0.00	0.00	0.00	0.00	0.00	450,298.13
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	96,662.60						96,662.60
Total Conservation and Development	96,662.60	0.00	0.00	0.00	0.00	0.00	96,662.60
Debt Service	114,156.30	112,369.73	0.00	0.00	47,335.27	0.00	273,861.30
Capital Outlay	826,734.27	0.00	0.00	31,016.00	0.00	5,000.00	862,750.27
Total Expenditures	5,120,455.12	112,369.73	23,348.34	658,525.59	47,335.27	5,000.00	5,967,034.05

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	<b>General Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>24/7 Sobriety Fund</b>	<b>911 Communications Fund</b>	<b>Pool Debt Service Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	(679,188.89)	(3,761.71)	15,994.30	(316,792.48)	(6,644.85)	(2,360.00)	(992,753.63)
<b>Other Financing Sources (Uses):</b>							
Transfers In	642,805.00			316,610.00			959,415.00
Long-Term Debt Issued	124,209.56						124,209.56
Total Other Financing Sources (Uses)	767,014.56	0.00	0.00	316,610.00	0.00	0.00	1,083,624.56
Net Change in Fund Balances	87,825.67	(3,761.71)	15,994.30	(182.48)	(6,644.85)	(2,360.00)	90,870.93
Fund Balance - Beginning	271,833.13	27,222.35	76,031.45	345.64	61,436.69	49,335.23	486,204.49
<b>FUND BALANCE - ENDING</b>	<b>359,658.80</b>	<b>23,460.64</b>	<b>92,025.75</b>	<b>163.16</b>	<b>54,791.84</b>	<b>46,975.23</b>	<b>577,075.42</b>

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

**MUNICIPALITY OF WINNER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

Net Change in Fund Balances - Total Governmental Funds	<u>90,870.93</u>
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.	<u>862,750.27</u>
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.	<u>(640,487.58)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(3,494.88)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>24,950.00</u>
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 position.	<u>192,802.14</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(124,209.56)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(2,141.13)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>3,570.00</u>
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.	<u>(21,412.48)</u>
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., pension expense)	<u>104,260.86</u>
Change in Net Position of Governmental Activities	<u><u>487,458.57</u></u>

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	248,758.49	105,953.63	1,499,838.44	43,717.07	0.86	1,898,268.49
Accounts Receivable, Net	44,360.23	31,503.98	356,180.28	46,612.96		478,657.45
Inventory of Supplies	100,822.13	9,764.76	502,494.00			613,080.89
Total Current Assets	<u>393,940.85</u>	<u>147,222.37</u>	<u>2,358,512.72</u>	<u>90,330.03</u>	<u>0.86</u>	<u>2,990,006.83</u>
Noncurrent Assets:						
Net Pension Asset	8,582.95	13,378.66	86,577.84	6,247.91		114,787.36
Capital Assets:						
Land	112,800.00	35,971.65	32,667.50	25,000.00	246,866.90	453,306.05
Buildings	419,649.70	50,000.00	87,998.00	5,000.00	747,315.95	1,309,963.65
Improvements Other Than Buildings	1,935,397.64	4,653,191.37	3,426,225.56	66,173.00	6,744,260.38	16,825,247.95
Machinery and Equipment	234,719.26	305,888.57	826,609.91	102,945.00	100,925.00	1,571,087.74
Construction Work in Progress	5,250.00		135,174.46		687,736.80	828,161.26
Less: Accumulated Depreciation	(1,376,295.74)	(2,618,846.06)	(3,319,210.47)	(173,512.00)	(1,375,530.67)	(8,863,394.94)
Total Noncurrent Assets	<u>1,340,103.81</u>	<u>2,439,584.19</u>	<u>1,276,042.80</u>	<u>31,853.91</u>	<u>7,151,574.36</u>	<u>12,239,159.07</u>
<b>TOTAL ASSETS</b>	<u>1,734,044.66</u>	<u>2,586,806.56</u>	<u>3,634,555.52</u>	<u>122,183.94</u>	<u>7,151,575.22</u>	<u>15,229,165.90</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Pension Related Deferred Outflows	15,098.13	23,534.18	152,297.64	10,990.60		201,920.55
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>15,098.13</u>	<u>23,534.18</u>	<u>152,297.64</u>	<u>10,990.60</u>	<u>0.00</u>	<u>201,920.55</u>

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	
<b>LIABILITIES:</b>						
Current Liabilities:						
Due to State Government			18,268.48	2,323.21		20,591.69
Customer Deposits	27,433.00		83,169.16			110,602.16
Bonds Payable Current:						
Revenue	8,949.32	61,339.85				70,289.17
Total Current Liabilities	36,382.32	61,339.85	101,437.64	2,323.21	0.00	201,483.02
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	356,906.24	1,009,363.31				1,366,269.55
Accrued Leave Payable	3,953.95	10,270.68	27,812.91	1,992.47		44,030.01
Other Long-Term Liabilities		21,544.05	131,839.67			153,383.72
Total Noncurrent Liabilities	360,860.19	1,041,178.04	159,652.58	1,992.47	0.00	1,563,683.28
<b>TOTAL LIABILITIES</b>	397,242.51	1,102,517.89	261,090.22	4,315.68	0.00	1,765,166.30
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Pension Related Deferred Inflows	12,778.89	19,919.06	128,903.02	9,302.32		170,903.29
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	12,778.89	19,919.06	128,903.02	9,302.32	0.00	170,903.29
<b>NET POSITION:</b>						
Net Investment in Capital Assets	965,665.30	1,333,958.32	1,057,625.29	25,606.00	7,151,574.36	10,534,429.27
Restricted For:						
SDSR Pension Purposes	10,902.19	16,993.78	109,972.46	7,936.19		145,804.62
Unrestricted Net Position	362,553.90	136,951.69	2,229,262.17	86,014.35	0.86	2,814,782.97
<b>TOTAL NET POSITION</b>	1,339,121.39	1,487,903.79	3,396,859.92	119,556.54	7,151,575.22	13,495,016.86

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	
<b>Operating Revenue:</b>						
Charges for Goods and Services	589,566.16	334,178.14	4,095,311.82	525,806.46		5,544,862.58
Miscellaneous					1,632.65	1,632.65
<b>Total Operating Revenue</b>	<b>589,566.16</b>	<b>334,178.14</b>	<b>4,095,311.82</b>	<b>525,806.46</b>	<b>1,632.65</b>	<b>5,546,495.23</b>
<b>Operating Expenses:</b>						
Personal Services	54,808.77	87,502.55	576,529.88	48,309.86	6,000.00	773,151.06
Other Current Expense	299,252.62	69,714.56	564,315.71	459,680.54	74,039.47	1,467,002.90
Materials (Cost of Goods Sold)			1,815,672.58			1,815,672.58
Depreciation	98,856.12	168,003.77	152,358.43	151.50	185,212.80	604,582.62
<b>Total Operating Expenses</b>	<b>452,917.51</b>	<b>325,220.88</b>	<b>3,108,876.60</b>	<b>508,141.90</b>	<b>265,252.27</b>	<b>4,660,409.16</b>
<b>Operating Income (Loss)</b>	<b>136,648.65</b>	<b>8,957.26</b>	<b>986,435.22</b>	<b>17,664.56</b>	<b>(263,619.62)</b>	<b>886,086.07</b>
<b>Nonoperating Revenue (Expense):</b>						
Investment Earnings	1,816.15	1,816.80	1,816.15	1,816.14		7,265.24
Rental Revenue					14,066.03	14,066.03
Interest Expense and Fiscal Charges	(14,609.01)	(35,870.39)	(2,941.98)			(53,421.38)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(12,792.86)</b>	<b>(34,053.59)</b>	<b>(1,125.83)</b>	<b>1,816.14</b>	<b>14,066.03</b>	<b>(32,090.11)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>123,855.79</b>	<b>(25,096.33)</b>	<b>985,309.39</b>	<b>19,480.70</b>	<b>(249,553.59)</b>	<b>853,995.96</b>
Capital Contributions		1,433.45			607,175.80	608,609.25
Transfers In					138,782.00	138,782.00
Transfers Out	(125,000.00)	(138,782.00)	(784,415.00)	(50,000.00)		(1,098,197.00)
<b>Change in Net Position</b>	<b>(1,144.21)</b>	<b>(162,444.88)</b>	<b>200,894.39</b>	<b>(30,519.30)</b>	<b>496,404.21</b>	<b>503,190.21</b>

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2015**

	<b>Enterprise Funds</b>					<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Light Fund</b>	<b>Sanitation Fund</b>	<b>Airport Fund</b>	
Net Position - Beginning	1,330,937.65	1,635,808.74	3,101,872.75	143,285.61	6,655,171.01	12,867,075.76
Adjustments:						
GASB 68 Implementation	9,327.95	14,539.93	94,092.78	6,790.23		124,750.89
Adjusted Net Position - Beginning	1,340,265.60	1,650,348.67	3,195,965.53	150,075.84	6,655,171.01	12,991,826.65
<b>NET POSITION - ENDING</b>	<b>1,339,121.39</b>	<b>1,487,903.79</b>	<b>3,396,859.92</b>	<b>119,556.54</b>	<b>7,151,575.22</b>	<b>13,495,016.86</b>

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

**MUNICIPALITY OF WINNER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Receipts from Customers	581,725.52	328,334.35	4,132,497.10	527,222.46	2,239.20	5,572,018.63
Cash Payments to Employees for Services	(56,697.89)	(87,415.26)	(592,208.84)	(53,104.12)	(6,000.00)	(795,426.11)
Cash Payments to Suppliers of Goods and Services	(222,215.48)	(70,923.44)	(2,381,041.85)	(459,704.44)	(74,039.47)	(3,207,924.68)
Net Cash Provided (Used) by Operating Activities	302,812.15	169,995.65	1,159,246.41	14,413.90	(77,800.27)	1,568,667.84
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers In					138,782.00	138,782.00
Transfers Out	(125,000.00)	(138,782.00)	(784,415.00)	(50,000.00)		(1,098,197.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(125,000.00)	(138,782.00)	(784,415.00)	(50,000.00)	138,782.00	(959,415.00)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from Capital Debt			92,784.96			92,784.96
Capital Contributions					627,535.10	627,535.10
Purchase of Capital Assets	(180,374.76)	(85,956.95)	(286,621.92)		(703,285.86)	(1,256,239.49)
Principal Paid on Capital Debt	(6,581.44)	(63,916.89)	(66,027.18)			(136,525.51)
Interest Paid on Capital Debt	(14,609.01)	(35,870.39)	(2,941.98)			(53,421.38)
Other Receipts (Payments)					14,066.03	14,066.03
Net Cash Provided (Used) by Capital and Related Financing Activities	(201,565.21)	(185,744.23)	(262,806.12)	0.00	(61,684.73)	(711,800.29)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Cash Received for Interest	1,816.15	1,816.80	1,816.15	1,816.14		7,265.24
Net Cash Provided (Used) by Investing Activities	1,816.15	1,816.80	1,816.15	1,816.14	0.00	7,265.24
Net Increase (Decrease) in Cash and Cash Equivalents	(21,936.91)	(152,713.78)	113,841.44	(33,769.96)	(703.00)	(95,282.21)
Balances - Beginning	270,695.40	258,667.41	1,385,997.00	77,487.03	703.86	1,993,550.70
Balances - Ending	248,758.49	105,953.63	1,499,838.44	43,717.07	0.86	1,898,268.49

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

**MUNICIPALITY OF WINNER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2015

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	136,648.65	8,957.26	986,435.22	17,664.56	(263,619.62)	886,086.07
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	98,856.12	168,003.77	152,358.43	151.50	185,212.80	604,582.62
(Increase) decrease in Receivables	(8,640.64)	(5,843.79)	33,850.28	1,416.00	606.55	21,388.40
(Increase) decrease in Inventories	77,037.14	(1,208.88)	372.69			76,200.95
(Decrease) increase in Accounts and Other Payables			(1,426.25)	(23.90)		(1,450.15)
(Decrease) increase in Accrued Leave Payable	(314.88)	2,541.14	200.72	(3,648.30)		(1,221.32)
(Increase) decrease in Pension Related Deferred Outflows	(3,504.51)	(5,462.65)	(35,350.66)	(2,551.09)		(46,868.91)
(Decrease) increase in Pension Related Deferred Inflows	(3,811.16)	(5,940.64)	(38,443.86)	(2,774.31)		(50,969.97)
(Increase) decrease in Net Pension Asset	5,741.43	8,949.44	57,914.84	4,179.44		76,785.15
(Decrease) increase in Customer Deposits	800.00		3,335.00			4,135.00
Net Cash Provided (Used) by Operating Activities	<u>302,812.15</u>	<u>169,995.65</u>	<u>1,159,246.41</u>	<u>14,413.90</u>	<u>(77,800.27)</u>	<u>1,568,667.84</u>
Noncash Investing, Capital and Financing Activities:						
Capital Contributions from General Fund		1,433.45				1,433.45

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

**MUNICIPALITY OF WINNER  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2015**

	<b>Agency Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>123,892.64</u>
<b>TOTAL ASSETS</b>	<u>123,892.64</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>123,892.64</u>
<b>TOTAL LIABILITIES</b>	<u><u>123,892.64</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. Financial Reporting Entity:

The reporting entity of the Municipality of Winner (Municipality) 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Municipality participates in a cooperative unit, the Tri-County Landfill. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the Municipality.

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 and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality'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 Municipality 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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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 Municipality financial reporting entity are described below:

**Governmental Funds:**

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always 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.

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

24/7 Sobriety Fund – to account for the user fees collected in the administration of the 24/7 program, the proceeds of which shall be applied and used only to defray the recurring cost of twice a day testing including maintaining equipment, funding support services, and ensuring compliance. This is a major program.

911 Communications Fund – to account for 911 emergency surcharges collected to be used for payments of nonrecurring and recurring costs and for the general operational expense of 911 related activities. (SDCL 34-45-4) This is a major fund.

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

Series 2009 Pool Debt Service Fund – to account for property taxes which may be used only for payment of debt principal, interest and related costs. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs---that is for the benefit of the Municipality and its citizenry.

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is a major fund.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**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 unite—even if that government is not expected to make any payments—is not payable solely from fee 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).

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.

Light Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Sanitation Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the municipality. (SDCL 9-32-11 and 34A-6) This is a major fund.

Airport Fund – financed primarily by user charges, this fund accounts for the acquisition, construction and operation of a municipal airport. (SDCL 50-7-2) This is a major fund.

**Fiduciary Funds:**

Fiduciary Funds are never considered to be major funds.

Agency Fund Types – agency funds are used to account for resources held by the Municipality in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The Municipality maintains an agency fund to hold assets as an agent in a trustee capacity for inmates at the regional law enforcement center.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied 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 the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type 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 funds 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 does not exceed one bill-paying cycle, and for the Municipality of Winner, the length of that cycle is 30 days. The revenues, which are accrued at December 31, 2015, are prisoner housing, interest on utility bills as required by local ordinance, and sales tax from the State of South Dakota.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough 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.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

All proprietary and fiduciary funds 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. 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 in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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 South Dakota Codified Laws (SDCL) 4-5-6.

e. 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 initial 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 over 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 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, improvements 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 activity capital assets are all valued at original cost. The total December 31, 2015 balance of business-type capital assets are all valued at original cost.

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 Municipality. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, 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 & Land Rights	\$ 0.00	---- N/A ----	---- N/A ----
Improvements Other than Buildings	\$ 7,500.00	Straight-Line	10-50 yrs.
Buildings	\$ 7,500.00	Straight-Line	33-200 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-Line	3-20 yrs.
Infrastructure	\$ 7,500.00	Straight-Line	25-50 yrs.
Utility Property & Improvements	\$ 7,500.00	Straight-Line	25-50 yrs.

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 Capital Outlay 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 statements.

f. 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 the 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 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 statements

g. Program Revenues:

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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.

h. 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.

i. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

The Municipality 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.

k. 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 its 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.

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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. Agency Funds have no fund equity. The net position is reported as net position held in agency capacity.

I. Application of Net Position:

It is the Municipality'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.

m. 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 Municipality 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 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 such as inventory.
- Amount legally or contractually required to be maintained intact such as Cemetery Perpetual Care funds.

The Municipality 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Liquor, Lodging, & Dining Fund	Sales Tax
24/7 Sobriety Fund	User Charges
911 Communications Fund	Telephone Surcharges

n. 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 Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended 12/31/15
Liquor, Lodging & Dining Fund:	
Debt Service	\$ 22,369.73
24/7 Sobriety Fund:	
Police	\$ 4,348.34
911 Communications Fund:	
Other Protection	\$ 11,337.59

The Municipal Council plans to take the following actions to address these violations: supplemental budgets will be used when legal authority exists.

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality 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 Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, 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

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

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 municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government, provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above and meeting the requirements of Section 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

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

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality 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 Municipality's policy is to credit all income from deposits and investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

#### 5. INVENTORY

Inventory in the General Fund and proprietary funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Government-wide Financial 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.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

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

7. CHANGES IN CAPITAL ASSETS

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

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	41,307.00			41,307.00
Construction Work in Progress	489,954.50	17,180.46	(507,134.96)	0.00
Total, not being depreciated	<u>531,261.50</u>	<u>17,180.46</u>	<u>(507,134.96)</u>	<u>41,307.00</u>
Capital Assets, being depreciated:				
Buildings	4,228,929.78			4,228,929.78
Improvements Other Than Buildings	14,179,146.58	1,086,429.97		15,265,576.55
Machinery & Equipment	2,816,632.44	291,224.80	(58,334.89)	3,049,522.35
Total, being depreciated	<u>21,224,708.80</u>	<u>1,377,654.77</u>	<u>(58,334.89)</u>	<u>22,544,028.68</u>
Less Accumulated Depreciation for:				
Buildings	(937,448.97)	(92,829.37)		(1,030,278.34)
Improvements Other Than Buildings	(9,248,227.10)	(363,844.74)		(9,612,071.84)
Machinery & Equipment	(2,062,936.03)	(183,813.47)	54,840.01	(2,191,909.49)
Total Accumulated Depreciation	<u>(12,248,612.10)</u>	<u>(640,487.58)</u>	<u>54,840.01</u>	<u>(12,834,259.67)</u>
Total Capital Assets, being depreciated, net	<u>8,976,096.70</u>	<u>737,167.19</u>	<u>(3,494.88)</u>	<u>9,709,769.01</u>
Governmental Activity Capital Assets, Net	<u>9,507,358.20</u>	<u>754,347.65</u>	<u>(510,629.84)</u>	<u>9,751,076.01</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	4,300.02
Public Safety	178,804.59
Public Works	332,267.71
Culture and Recreation	125,115.26
<b>Total Depreciation Expense - Governmental Activities</b>	<u><u>640,487.58</u></u>

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Primary Government:				
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	425,638.55	27,667.50		453,306.05
Construction Work in Progress	2,957,388.16	846,910.43	(2,976,137.33)	828,161.26
<b>Total, not being depreciated</b>	<u><u>3,383,026.71</u></u>	<u><u>874,577.93</u></u>	<u><u>(2,976,137.33)</u></u>	<u><u>1,281,467.31</u></u>
Capital Assets, being depreciated:				
Buildings	1,302,298.50	7,665.15		1,309,963.65
Improvements Other Than Buildings	13,597,460.72	3,227,787.23		16,825,247.95
Machinery & Equipment	1,447,307.78	123,779.96		1,571,087.74
<b>Total, being depreciated</b>	<u><u>16,347,067.00</u></u>	<u><u>3,359,232.34</u></u>	<u><u>0.00</u></u>	<u><u>19,706,299.34</u></u>
Less Accumulated Depreciation for:				
Buildings	(282,393.24)	(56,073.57)		(338,466.81)
Improvements Other Than Buildings	(6,996,202.52)	(445,372.78)		(7,441,575.30)
Machinery & Equipment	(980,216.56)	(103,136.27)		(1,083,352.83)
<b>Total Accumulated Depreciation</b>	<u><u>(8,258,812.32)</u></u>	<u><u>(604,582.62)</u></u>	<u><u>0.00</u></u>	<u><u>(8,863,394.94)</u></u>
<b>Total Capital Assets, being depreciated, net</b>	<u><u>8,088,254.68</u></u>	<u><u>2,754,649.72</u></u>	<u><u>0.00</u></u>	<u><u>10,842,904.40</u></u>
<b>Business-Type Activity Capital Assets, Net</b>	<u><u>11,471,281.39</u></u>	<u><u>3,629,227.65</u></u>	<u><u>(2,976,137.33)</u></u>	<u><u>12,124,371.71</u></u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water	98,856.12
Sewer	168,003.77
Light	152,358.43
Sanitation	151.50
Airport	185,212.80
<b>Total Depreciation Expense - Business-Type Activities</b>	<u><u>604,582.62</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Construction Work in Progress at December 31, 2015 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2015</u>	<u>Committed</u>	<u>Required Future Financing</u>
6th & Liberty Water Project	575,034.00	5,250.00	569,784.00	0.00
Electric Feeder Line	273,514.00	135,174.46	138,339.54	0.00
Airport Hangar	698,000.00	687,736.80	513.16	9,750.04
<b>TOTAL</b>	<b>1,546,548.00</b>	<b>828,161.26</b>	<b>708,636.70</b>	<b>9,750.04</b>

### 8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds Series 2008A	1,570,000.00		85,000.00	1,485,000.00	85,000.00
Notes Payable-2013 Dodge Caravan	8,361.16		7,166.54	1,194.62	1,194.62
Financing (Capital Acquisition) Leases-Fire Truck	211,098.34		68,289.96	142,808.38	70,345.49
Financing (Capital Acquisition) Leases-Street Truck	0.00	124,209.56	32,345.64	91,863.92	29,782.65
Total Debt	<u>1,789,459.50</u>	<u>124,209.56</u>	<u>192,802.14</u>	<u>1,720,866.92</u>	<u>186,322.76</u>
Accrued Compensated Absences					
- Governmental Funds	154,840.31	107,845.23	86,432.75	176,252.79	90,000.00
Total Governmental Activities	<u>1,944,299.81</u>	<u>232,054.79</u>	<u>279,234.89</u>	<u>1,897,119.71</u>	<u>276,322.76</u>
Business-Type Activities:					
SRF Loan #1, Clean Water Series 2006	781,115.69		44,825.24	736,290.45	46,299.92
SRF Loan #2, Clean Water Series 2012	349,009.77		14,597.06	334,412.71	15,039.93
SRF Loan #1, Drinking Water Series 2013	372,437.00		6,581.44	365,855.56	8,949.32
Financing (Capital Acquisition) Leases-Altec Digger	105,081.89		34,128.79	70,953.10	35,019.55
Promissory Notes Payable	26,038.64		4,484.59	21,554.05	4,631.29
Financing (Capital Acquisition) Leases-Boring Machine	0.00	92,784.96	31,898.39	60,886.57	29,968.29
Total Debt	<u>1,633,682.99</u>	<u>92,784.96</u>	<u>136,515.51</u>	<u>1,589,952.44</u>	<u>139,908.30</u>
Accrued Compensated Absences					
- Business-Type Funds	45,251.33	30,247.49	31,468.81	44,030.01	30,000.00
Total Business-Type Activities	<u>1,678,934.32</u>	<u>123,032.45</u>	<u>167,984.32</u>	<u>1,633,982.45</u>	<u>169,908.30</u>
Total Primary Government	<u>3,623,234.13</u>	<u>355,087.24</u>	<u>447,219.21</u>	<u>3,531,102.16</u>	<u>446,231.06</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Liabilities payable at December 31, 2015 are comprised of the following:

General Obligation Bonds:

General Obligation Bonds, Series 2008A	
Maturity Date: June 15, 2028	
Fixed Interest Rate: 3.00% to 5.10%	
Payable from Third Penny Sales Tax Fund and Pool Debt Service Fund	\$1,485,000.00

Note Payable:

Ally Auto for 2013 Dodge Grand Caravan	
Maturity Date: February 14, 2016	
Interest Rate: 0.00%	
Payable from General Fund	\$ 1,194.62

Lease Purchase Agreement with

Kansas State Bank for Fire Truck	
Maturity Date: May 1, 2017	
Interest Rate: 3.00%	
Payable from General Fund	\$ 142,808.38

State Revolving Fund Loan #1 (SRF):

SRF Loan, Series 2013 for Drinking Water	
Maturity Date: July 15, 2045	
Fixed Interest Rate: 3.25%	
Payable from Water Fund	\$ 365,855.56

State Revolving Fund Loan #1 (SRF):

SRF Loan, Series 2006 for Clean Water	
Maturity Date: April 15, 2028	
Fixed Interest Rate: 3.25%	
Payable from Sewer Fund	\$ 736,290.45

State Revolving Fund Loan #2 (SRF):

SRF Loan, Series 2012 for Clean Water	
Maturity Date: January 15, 2033	
Fixed Interest Rate: 3.00%	
Payable from Sewer Fund	\$ 334,412.71

Lease Purchase Agreement with

Kansas State Bank for Altec Digger Truck	
Maturity Date: March 1, 2017	
Interest Rate: 2.61%	
Payable from Light Fund	\$ 70,953.10

Lease Purchase Agreement with

Kansas State Bank for Freightliner Truck	
Maturity Date: February 5, 2018	
Interest Rate: 2.79%	
Payable from General Fund	\$ 91,863.92

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Lease Purchase Agreement with Kansas State Bank for Ditch Witch Boring Machine Maturity Date: January 15, 2017 Interest Rate: 3.17%	\$ 60,886.57
Payable from Light Fund	
 Promissory Note: National Rural Water Association Note for Security Cameras Maturity Date: June 1, 2020 Interest Rate: 3.00%	
Payable from Sewer Fund	\$ 21,554.05
 Compensated Absences: Accrued Leave Balances of City Employees	
Payable from General Fund	\$ 176,252.79
Payable from Light Fund	\$ 27,812.91
Payable from Water Fund	\$ 3,953.95
Payable from Sewer Fund	\$ 10,270.68
Payable from Sanitation Fund	\$ 1,992.47

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal	\$ 736,783.52
Interest	<u>45,871.41</u>
TOTAL	<u>\$ 782,654.93</u>

Primary Government

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

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2015

Year Ending December 31,	General Obligation Bonds Payable Series 2008A		Note Payable - Dodge Grand Caravan		Financing (Capital Acquisition) Leases - Fire Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	85,000.00	70,905.00	1,194.62	0.00	70,345.49	4,298.53
2017	90,000.00	67,505.00			72,462.89	2,181.13
2018	95,000.00	63,680.00				
2019	100,000.00	59,642.50				
2020	100,000.00	55,142.50				
2021-2025	585,000.00	199,837.50				
2026-2030	430,000.00	40,927.50				
2031-2035						
2036-2040						
2041-2045						
Totals	<u>1,485,000.00</u>	<u>557,640.00</u>	<u>1,194.62</u>	<u>0.00</u>	<u>142,808.38</u>	<u>6,479.66</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2015  
(Continued)

Year Ending December 31,	State Revolving Fund Loan Drinking Water #1		State Revolving Fund Loan Clean Water #1		State Revolving Fund Loan Clean Water #2	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	8,949.32	8,156.60	46,299.92	23,368.96	15,039.93	9,864.23
2017	9,152.37	7,953.55	47,823.10	21,845.78	15,496.22	9,407.94
2018	9,360.05	7,745.87	49,396.39	20,272.49	15,966.36	8,937.80
2019	9,572.43	7,533.49	51,021.46	18,647.42	16,450.78	8,453.38
2020	9,789.63	7,316.29	52,699.97	16,968.91	16,949.87	7,954.29
2021-2025	52,382.67	33,146.93	290,675.14	57,669.26	92,782.29	31,738.51
2026-2030	58,601.53	26,928.07	198,374.47	10,632.17	107,737.32	16,783.48
2031-2035	65,558.70	19,970.90			53,989.94	2,044.42
2036-2040	73,341.78	12,187.82				
2041-2045	69,147.08	3,553.08				
Totals	<u>365,855.56</u>	<u>134,492.60</u>	<u>736,290.45</u>	<u>169,404.99</u>	<u>334,412.71</u>	<u>95,184.05</u>

  

Year Ending December 31,	Financing (Capital Acquisiton) Leases - Altec Digger		Prommissory Notes Payable		Financing (Capital Acquisiton) Leases - Street Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	35,019.55	1,851.87	4,631.29	582.95	29,782.65	2,562.99
2017	35,933.55	937.87	4,772.16	442.08	30,613.58	1,732.06
2018			4,917.31	296.93	31,467.69	877.95
2019			5,066.87	147.37		
2020			2,156.42	16.18		
2021-2025						
2026-2030						
2031-2035						
2036-2040						
2041-2045						
Totals	<u>70,953.10</u>	<u>2,789.74</u>	<u>21,544.05</u>	<u>1,485.51</u>	<u>91,863.92</u>	<u>5,173.00</u>

  

Year Ending December 31,	Financing (Capital Acquisiton) Leases - Boring Machine		TOTALS	
	Principal	Interest	Principal	Interest
2016	29,968.29	1,930.10	326,231.06	123,521.23
2017	30,918.28	980.11	337,172.15	112,985.52
2018			206,107.80	101,811.04
2019			182,111.54	94,424.16
2020			181,595.89	87,398.17
2021-2025			1,020,840.10	322,392.20
2026-2030			794,713.32	95,271.22
2031-2035			119,548.64	22,015.32
2036-2040			73,341.78	12,187.82
2041-2045			69,147.08	3,553.08
Totals	<u>60,886.57</u>	<u>2,910.21</u>	<u>3,310,809.36</u>	<u>975,559.76</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

9. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2015 was as follows:

Major Funds:	
Swimming Pool and Parks	\$ 23,460.64
24/7 Sobriety Services	92,025.75
911 Communications Fund	163.16
SDSR Pension	867,848.34
Debt Service	54,791.84
Permanently Restricted:	
Cemetery Perpetual Care Fund - Nonexpendable	<u>46,975.23</u>
Total Restricted Net Position	<u><u>\$ 1,085,264.96</u></u>

These balances are restricted due to federal grant and statutory requirements.

10. INTERFUND TRANSFERS

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

Transfers From:	Transfers to:			Total
	General Fund	911 Communications Fund	Airport Fund	
Sanitation Fund	50,000.00			50,000.00
Water Fund	125,000.00			125,000.00
Light Fund	467,805.00	316,610.00		784,415.00
Sewer Fund			<u>138,782.00</u>	<u>138,782.00</u>
<b>TOTAL</b>	<u><u>642,805.00</u></u>	<u><u>316,610.00</u></u>	<u><u>138,782.00</u></u>	<u><u>1,098,197.00</u></u>

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

11. PRIOR PERIOD ADJUSTMENTS

The Municipality 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:

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

	Governmental Activities	Business-Type Activities	Total
Net Position January 1, 2015, as previously reported	8,081,302.65	12,867,075.76	20,948,378.41
Restatement for pension accounting:			
Net Pension Asset	948,692.35	191,572.51	1,140,264.86
Pension Related Deferred Outflows of Resources	767,836.19	155,051.64	922,887.83
Pension Related Deferred Inflows of Resources	<u>(1,098,745.68)</u>	<u>(221,873.26)</u>	<u>(1,320,618.94)</u>
Net Position January 1, 2015, as restated	<u>8,699,085.51</u>	<u>12,991,826.65</u>	<u>21,690,912.16</u>

## 12. 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or 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 1<sup>st</sup> 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

**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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$197,219.79, \$161,379.90, and \$171,671.22, 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 this measurement period and reported by the Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 17,359,939.55
Less proportionate share of total pension liability	<u>\$ 16,676,709.99</u>
Proportionate share of net pension liability (asset)	<u>\$ (683,229.56)</u>

At December 31, 2015, the Municipality reported a liability (asset) of \$(683,229.56) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the 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 0.1610902%, which is an increase of 0.002821% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$71,905.21. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 139,894.36	
Changes in assumption.	\$ 541,758.04	
Net Difference between projected and actual earnings on pension plan investments.	\$ 417,373.36	\$ 1,008,118.30
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 9,120.68
Municipality contributions subsequent to the measurement date.	<u>\$ 102,832.00</u>	
<b>TOTAL</b>	<u><b>\$ 1,201,857.76</b></u>	<u><b>\$ 1,017,238.98</b></u>

\$102,832.00 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	\$ 32,374.46
2017	\$ 32,374.46
2018	\$ (87,096.12)
2019	<u>\$ 113,254.68</u>
<b>TOTAL</b>	<u><b>\$ 90,907.48</b></u>

**Actuarial Assumptions:**

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<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	100%	
=====		

**Discount Rate:**

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

**Sensitivity of liability (asset) to changes in the discount rate:**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$1,719,681.17	\$(683,229.57)	\$(2,642,596.34)

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

**Pension Plan Fiduciary Net Position:**

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

13. RELATED PARTY TRANSACTIONS

Various office supplies and products were purchased from a company owned by a member of the city council in the amount of over \$21,000.00 since becoming a member of the council in 2015.

14. JOINT VENTURE

The Municipality participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area services to its member entities.

The members of the joint venture are as follows:

<u>Counties</u>	<u>Municipalities</u>
Tripp County	White Lake
Aurora County	Wessington Springs
Jerauld County	Plankinton
Brule County	Reliance
Lyman County	White River
Buffalo County	Alpena
Jones County	Lane
Mellette County	Colome
	Kennebec
	Chamberlain
	Kimball
	Oacoma
	Presho
	Draper
	Stickney
	Pukwana
	New Witten
	Winner
	Wood

The joint venture’s governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill.

As of December 31, 2013, this joint venture had a total fund net position of \$866,940 and long-term debt of \$813,134. This is the most recent financial information the entity was able to provide as of this audit.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

15. SIGNIFICANT CONTINGENCIES - LITIGATION

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

16. RISK MANAGEMENT

The Municipality 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 Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality 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 Municipality'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 Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Municipality 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 Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2015, no claims were filed for unemployment benefits. At December 31, 2015, no claims were filed or still outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WINNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	620,416.00	620,416.00	583,829.10	(36,586.90)
Airflight Property Tax	0.00	0.00	1,407.58	1,407.58
General Sales and Use Taxes	1,402,000.00	1,402,000.00	1,517,906.12	115,906.12
Amusement Tax	0.00	0.00	1,236.00	1,236.00
Penalties and Interest on Delinquent Taxes	2,000.00	2,000.00	2,683.15	683.15
Licenses and Permits	15,000.00	15,000.00	28,712.87	13,712.87
Intergovernmental Revenue:				
State Grants	50,000.00	50,000.00	5,231.00	(44,769.00)
State Shared Revenue:				
Bank Franchise Tax	5,000.00	5,000.00	802.85	(4,197.15)
Prorate License Fees	7,500.00	7,500.00	6,422.19	(1,077.81)
Liquor Tax Reversion	15,000.00	15,000.00	18,014.48	3,014.48
Motor Vehicle Licenses	24,000.00	24,000.00	38,672.53	14,672.53
Local Government Highway and Bridge Fund	60,000.00	60,000.00	87,029.76	27,029.76
County Shared Revenue:				
County HBR Tax	7,500.00	7,500.00	0.00	(7,500.00)
Other	0.00	0.00	5.94	5.94
Charges for Goods and Services:				
General Government	25,000.00	25,000.00	62,263.73	37,263.73
Public Safety	1,754,000.00	1,754,000.00	1,978,242.88	224,242.88
Culture and Recreation	27,500.00	27,500.00	27,085.91	(414.09)
Cemetery	26,000.00	26,000.00	36,250.94	10,250.94
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	476.25	(23.75)
Miscellaneous Revenue:				
Investment Earnings	27,500.00	27,500.00	26,949.79	(550.21)
Rentals	39,000.00	39,000.00	0.00	(39,000.00)
Other	15,000.00	15,000.00	18,043.16	3,043.16
<b>Total Revenue</b>	<b>4,122,916.00</b>	<b>4,122,916.00</b>	<b>4,441,266.23</b>	<b>318,350.23</b>
<b>Expenditures:</b>				
General Government:				
Contingency	100,000.00	100,000.00		
Amount Transferred		(7,800.00)		92,200.00
Executive	82,131.00	82,131.00	74,802.83	7,328.17
Elections	1,500.00	1,500.00	852.00	648.00
Financial Administration	257,670.00	265,470.00	261,573.02	3,896.98
Other	299,300.00	299,300.00	198,326.66	100,973.34
<b>Total General Government</b>	<b>740,601.00</b>	<b>740,601.00</b>	<b>535,554.51</b>	<b>205,046.49</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WINNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued):</b>				
Public Safety:				
Police	813,785.00	813,785.00	764,499.74	49,285.26
Fire	57,355.00	57,355.00	54,794.72	2,560.28
Other Protection	1,788,550.00	1,788,550.00	1,787,186.73	1,363.27
Total Public Safety	<u>2,659,690.00</u>	<u>2,659,690.00</u>	<u>2,606,481.19</u>	<u>53,208.81</u>
Public Works:				
Highways and Streets	1,281,050.00	1,281,050.00	1,234,067.73	46,982.27
Cemeteries	63,654.00	63,654.00	39,920.25	23,733.75
Total Public Works	<u>1,344,704.00</u>	<u>1,344,704.00</u>	<u>1,273,987.98</u>	<u>70,716.02</u>
Health and Welfare:				
Health	26,730.00	26,730.00	26,133.95	596.05
Total Health and Welfare	<u>26,730.00</u>	<u>26,730.00</u>	<u>26,133.95</u>	<u>596.05</u>
Culture and Recreation:				
Recreation	182,555.00	182,555.00	149,968.68	32,586.32
Parks	385,740.00	385,740.00	317,509.91	68,230.09
Total Culture and Recreation	<u>568,295.00</u>	<u>568,295.00</u>	<u>467,478.59</u>	<u>100,816.41</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	100,240.00	100,240.00	96,662.60	3,577.40
Total Conservation and Development	<u>100,240.00</u>	<u>100,240.00</u>	<u>96,662.60</u>	<u>3,577.40</u>
Debt Service	<u>116,812.00</u>	<u>116,812.00</u>	<u>114,156.30</u>	<u>2,655.70</u>
Total Expenditures	<u>5,557,072.00</u>	<u>5,557,072.00</u>	<u>5,120,455.12</u>	<u>436,616.88</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,434,156.00)</u>	<u>(1,434,156.00)</u>	<u>(679,188.89)</u>	<u>754,967.11</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	859,156.00	859,156.00	642,805.00	(216,351.00)
Long-Term Debt Issued	0.00	247,519.40	124,209.56	(123,309.84)
Total Other Financing Sources (Uses)	<u>859,156.00</u>	<u>1,106,675.40</u>	<u>767,014.56</u>	<u>(339,660.84)</u>
Net Change in Fund Balances	<u>(575,000.00)</u>	<u>(327,480.60)</u>	<u>87,825.67</u>	<u>415,306.27</u>
Fund Balance - Beginning	271,833.13	271,833.13	271,833.13	0.00
FUND BALANCE - ENDING	<u>(303,166.87)</u>	<u>(55,647.47)</u>	<u>359,658.80</u>	<u>415,306.27</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WINNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIQUOR, LODGING & DINING FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	90,000.00	90,000.00	108,608.02	18,608.02
Total Revenue	90,000.00	90,000.00	108,608.02	18,608.02
<b>Expenditures:</b>				
Debt Service	159,305.00	159,305.00	112,369.73	46,935.27
Total Expenditures	159,305.00	159,305.00	112,369.73	46,935.27
Net Change in Fund Balances	(69,305.00)	(69,305.00)	(3,761.71)	65,543.29
Fund Balance - Beginning	27,222.35	27,222.35	27,222.35	0.00
<b>FUND BALANCE - ENDING</b>	<u>(42,082.65)</u>	<u>(42,082.65)</u>	<u>23,460.64</u>	<u>65,543.29</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WINNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**24/7 SOBRIETY FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Goods and Services:				
Public Safety	13,000.00	13,000.00	39,342.64	26,342.64
Total Revenue	<u>13,000.00</u>	<u>13,000.00</u>	<u>39,342.64</u>	<u>26,342.64</u>
<b>Expenditures:</b>				
Public Safety:				
Police	19,000.00	19,000.00	23,348.34	(4,348.34)
Total Public Safety	<u>19,000.00</u>	<u>19,000.00</u>	<u>23,348.34</u>	<u>(4,348.34)</u>
Total Expenditures	<u>19,000.00</u>	<u>19,000.00</u>	<u>23,348.34</u>	<u>(4,348.34)</u>
Net Change in Fund Balances	<u>(6,000.00)</u>	<u>(6,000.00)</u>	<u>15,994.30</u>	<u>21,994.30</u>
Fund Balance - Beginning	76,031.45	76,031.45	76,031.45	0.00
FUND BALANCE - ENDING	<u><u>70,031.45</u></u>	<u><u>70,031.45</u></u>	<u><u>92,025.75</u></u>	<u><u>21,994.30</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WINNER**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**911 COMMUNICATIONS FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Telephone Surcharge	371,500.00	371,500.00	339,430.59	(32,069.41)
Miscellaneous Revenue:				
Investment Earnings	1,500.00	1,500.00	1,816.16	316.16
Other	0.00	0.00	486.36	486.36
Total Revenue	<b>373,000.00</b>	<b>373,000.00</b>	<b>341,733.11</b>	<b>(31,266.89)</b>
<b>Expenditures:</b>				
Public Safety:				
Other Protection	647,188.00	647,188.00	658,525.59	(11,337.59)
Total Public Safety	<b>647,188.00</b>	<b>647,188.00</b>	<b>658,525.59</b>	<b>(11,337.59)</b>
Total Expenditures	<b>647,188.00</b>	<b>647,188.00</b>	<b>658,525.59</b>	<b>(11,337.59)</b>
Excess of Revenue Over (Under) Expenditures	<b>(274,188.00)</b>	<b>(274,188.00)</b>	<b>(316,792.48)</b>	<b>(42,604.48)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	274,188.00	274,188.00	316,610.00	42,422.00
Total Other Financing Sources (Uses):	<b>274,188.00</b>	<b>274,188.00</b>	<b>316,610.00</b>	<b>42,422.00</b>
Net Change in Fund Balances	<b>0.00</b>	<b>0.00</b>	<b>(182.48)</b>	<b>(182.48)</b>
Fund Balance - Beginning	345.64	345.64	345.64	0.00
FUND BALANCE - ENDING	<b>345.64</b>	<b>345.64</b>	<b>163.16</b>	<b>(182.48)</b>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting

The Municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

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 municipal 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 the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2015.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP 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.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.1610902%
Municipality's proportionate share of net pension liability (asset)	\$ (683)
Municipality's covered-employee payroll	\$ 2,643
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-25.84%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.1%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30.

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REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 197
Contributions in relation to the contractually required contribution	<u>\$ 197</u>
Contribution deficiency (excess)	\$ -
Municipality's covered-employee payroll	\$ 2,814
Contributions as a percentage of covered-employee payroll	7.00%