

**TM RURAL WATER DISTRICT**  
P.O. BOX 445  
PARKER, SOUTH DAKOTA 57053

**AUDIT REPORT**

DECEMBER 31, 2015

*Schoenfish & Co., Inc.*

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

TM RURAL WATER DISTRICT  
Parker, South Dakota

DISTRICT OFFICIALS  
December, 31 2015

<u>BOARD MEMBERS:</u>		<u>TERM EXPIRES:</u>
Tom Kramer	President	February 2018
Greg Wirth	Vice-President	February 2017
Steve Knutson	Secretary	February 2018
Greg Nugteren	Treasurer	February 2018
Robin Christiansen	Member	February 2016
Irvin Dykstra	Member	February 2016
Dennis M. Johnson	Member	February 2017
Dennis R. Johnson	Member	February 2018
Curt Matthies	Member	February 2017

MANAGER:  
Jay Jorgensen

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

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

Governing Board  
TM Rural Water District  
Parker, 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 TM Rural Water District (District), as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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  
June 21, 2016

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Prior Other Audit Findings:

There are no prior other audit findings.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the first audit in which a similar deficiency has occurred.

Criteria:

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

Condition:

The Bookkeeper collects receipts and makes deposits. The Bookkeeper records receipts, posts receipts in the accounting records, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the TM Rural Water District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The TM Rural Water District Board President, Tom Kramer, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the TM Rural Water District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and will be developing policies to address the issue.

CLOSING CONFERENCE

The contents of this report were discussed with the Manager and the Bookkeeper during the course of the audit and at the conclusion of the audit.

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CERTIFIED PUBLIC ACCOUNTANTS

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
TM Rural Water District  
Parker, South Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of TM Rural Water District (District), as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

The District'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 District'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 District'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 TM Rural Water District as of December 31, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

We have previously audited the TM Rural Water District's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2015. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), on pages 7 through 11, 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.

*Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the District'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 District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 June 21, 2016

*Schoenfish & Co., Inc.*

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TM RURAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Our discussion and analysis of the TM Rural Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2015. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis

### **Overview of the Basic Financial Statements**

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position.*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information that shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges. It also can be used to determine the District's creditworthiness.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Financial Highlights**

During the year ending December 31, 2015, the District's revenues increased \$520,949, expenses increased by \$129,934, and capital contributions and construction income decreased by \$9,443, resulting in an increase of \$300,185 in net position.

### **Financial Analysis of the District**

#### **Net Position**

The District's net position increased between fiscal years 2014 and 2015 by \$300,185, mainly due to a decrease in debt.

**Table A-1**  
**TM Rural Water District**  
**Statement of Net Position**

	2013	2014	2015
Current Assets	\$ 2,802,209	\$ 3,182,205	\$ 3,440,042
Capital Assets, Net of Accumulated Depreciation	20,980,238	20,196,499	19,791,749
Other Assets	1,069,051	980,239	890,227
Total Assets	<u>\$ 24,851,498</u>	<u>\$ 24,358,943</u>	<u>\$ 24,122,018</u>
Current Liabilities	\$ 583,113	\$ 584,614	\$ 606,987
Non-current Liabilities	5,865,158	5,452,489	4,893,006
Total Liabilities	<u>\$ 6,448,271</u>	<u>\$ 6,037,103</u>	<u>\$ 5,499,993</u>
Net Investment in Capital Assets	\$ 14,594,172	\$ 14,214,621	\$ 14,354,290
Restricted	573,500	496,000	496,000
Unrestricted	3,235,555	3,611,219	3,771,735
Total Net Position	<u>\$ 18,403,227</u>	<u>\$ 18,321,840</u>	<u>\$ 18,622,025</u>

## Change in Net Position

The District's revenues primarily come from water sales.

The District's operating revenue increased in 2015 by \$520,949 to \$2,635,529. This increase was mainly due to modifying the accounting system, which caused 2014 to report one less month of revenue. The 2015 year reported twelve months of revenue, and future years will continue to report twelve months. This should result in a more consistent revenue figure and not as large of a variance between years.

Operating expense increased by \$129,934 in 2015, due to an increase in purchased water and increased depreciation.

The District's non-operating expense increased by \$28,339, due to the increase in interest expense.

**Table A-2**  
**TM Rural Water District**  
**Statement of Revenue, Expense and Change in Net Position**

	2013	2014	2015
Program Revenues			
Charges for Goods and Services	\$ 2,124,127	\$ 2,071,061	\$ 2,606,111
Miscellaneous Income	9,646	13,321	6,550
General Revenues			
Gain on Disposal of Assets	15,648	6,107	-
Interest Income	2,516	4,651	2,268
Feasibility/Application Fees	12,836	17,700	18,300
Relocation and Transfer Fees	1,845	1,740	2,300
Total Revenues	<u>\$ 2,166,618</u>	<u>\$ 2,114,580</u>	<u>\$ 2,635,529</u>
Expenses			
Operating Expenses	\$ 2,126,538	\$ 2,158,041	\$ 2,259,636
Interest Expense	253,369	120,645	148,984
Total Expenses	<u>\$ 2,379,907</u>	<u>\$ 2,278,686</u>	<u>\$ 2,408,620</u>
Income/(Loss) Before Contributions	\$ (213,289)	\$ (164,106)	\$ 226,909
Capital Contributions & Construction Income	523,638	82,719	73,276
Change in Net Position	<u>\$ 310,349</u>	<u>\$ (81,387)</u>	<u>\$ 300,185</u>
Adjustment to Beginning Net Position	<u>\$ (25,469)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position Ending	<u><u>\$ 18,403,227</u></u>	<u><u>\$ 18,321,840</u></u>	<u><u>\$ 18,622,025</u></u>

## Capital Assets

As of December 31, 2015, the District had invested \$19,791,749 in capital assets, net of accumulated depreciation. This represents a net decrease of \$404,750, mostly due to depreciation.

### TM Rural Water District Capital Assets

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Land	\$ 214,126	\$ 214,126	\$ 214,126
Wells	\$ 1,148,690	\$ 1,148,690	\$ 1,153,390
Storage	1,319,145	1,319,145	1,319,145
Treatment Plant Building	12,009,397	12,009,397	12,036,814
Distribution System	17,919,579	18,046,089	18,398,086
Total Utility Plant	<u>\$ 32,396,811</u>	<u>\$ 32,523,321</u>	<u>\$ 32,907,435</u>
Less: Accumulated Depreciation	(11,863,311)	(12,785,984)	(13,716,772)
Construction Work in Progress	52,125	63,482	234,765
Total Utility Plant Assets, Net of Depreciation	<u>\$ 20,585,625</u>	<u>\$ 19,800,819</u>	<u>\$ 19,425,428</u>
Buildings	\$ 116,995	\$ 116,995	\$ 116,995
Vehicles	143,017	148,553	148,553
Office Equipment	65,161	66,244	70,683
Other Equipment	151,990	146,620	153,798
Total Other Assets	<u>\$ 477,163</u>	<u>\$ 478,412</u>	<u>\$ 490,029</u>
Less: Accumulated Depreciation	(296,676)	(296,858)	(337,834)
Total Other Assets, Net of Depreciation	<u>\$ 180,487</u>	<u>\$ 181,554</u>	<u>\$ 152,195</u>
Total Capital Assets, Net of Depreciation	<u><u>\$ 20,980,238</u></u>	<u><u>\$ 20,196,499</u></u>	<u><u>\$ 19,791,749</u></u>

## **Debt Administration**

### **Long Term Debt**

At December 31, 2015, the District had \$5,451,231 in debt outstanding, a decrease of \$542,967 from the prior year. More detailed information about the District's long-term debt is presented in Note 5 to the Financial Statements.

**Table A-4**  
**TM Rural Water District**  
**Long Term Debt**

	Debt Payable 12/31/2014	Additions	Deletions	Debt Payable 12/31/2015
Revenue Bond - Series 2013	5,087,687		525,000	4,562,687
SRF - DW#1	894,190		19,419	874,771
Compensated Absences	12,321	16,463	15,011	13,773
	<u>\$5,994,198</u>	<u>\$16,463</u>	<u>\$559,430</u>	<u>\$5,451,231</u>

### **Economic Factors**

The District's excellent financial condition continues as the District proceeds through another year. Water rates for the District's customers have been set to provide the District with an adequate cash flow to finance operating expenses as well as providing for the coverage of the debt incurred by the District.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, ratepayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the TM Rural Water District's Office at Box 445 Parker, South Dakota 57053, (605) 297-3334.

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF NET POSITION**  
**December 31, 2015 and December 31, 2014**

	2015	2014
<b>ASSETS:</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	2,650,391	2,647,748
Investments	401,529	400,000
Accounts Receivable	290,041	42,302
Accrued Interest Receivable	614	1,200
Plant Material Inventory	66,826	64,106
Prepaid Expenses	30,641	26,849
Total Current Assets	3,440,042	3,182,205
<u>Capital Assets, Net of Accumulated Depreciation</u>	19,791,749	20,196,499
<u>Other Assets</u>		
Land Option to Purchase	0	1,200
Prepaid B-Y Water Fees	890,227	979,039
Total Other Assets	890,227	980,239
<b>TOTAL ASSETS</b>	<b>24,122,018</b>	<b>24,358,943</b>
<b>LIABILITIES:</b>		
<u>Current Liabilities</u>		
Accounts Payable	19,124	0
Accrued Payroll, Vacation & Benefits Payable	23,268	19,588
Accrued Excise and Sales Tax Payable	4	50
Prepaid Water Sales	4,583	4,821
Prepaid Construction Income and Sign Up Fees	0	15,736
Current Portion of Long-Term Debt	560,008	544,419
Total Current Liabilities	606,987	584,614
<u>Long-Term Liabilities</u>		
State Revolving Fund, Net of Current Portion	854,763	874,771
Bonds Payable, Net of Current Portion	4,022,688	4,562,688
Total Long-Term Debt, Net of Current Portion	4,877,451	5,437,459
Customer Deposits	15,555	15,030
Total Long-Term Liabilities	4,893,006	5,452,489
<b>TOTAL LIABILITIES</b>	<b>5,499,993</b>	<b>6,037,103</b>
<b>NET POSITION:</b>		
<u>Net Investment in Capital Assets</u>	14,354,290	14,214,621
<u>Restricted Net Position, Restricted For:</u>		
Restricted per Bond Agreements:		
Reserved for Revenue Bonds Payable	496,000	496,000
Total Restricted Net Position	496,000	496,000
<u>Unrestricted Net Position</u>	3,771,735	3,611,219
<b>TOTAL NET POSITION</b>	<b>18,622,025</b>	<b>18,321,840</b>

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

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>Operating Revenue:</u>		
Charges for Goods and Services Pledged as Security for Revenue Debt	2,606,111	2,071,061
Miscellaneous Income	6,550	13,321
Total Operating Revenue	<u>2,612,661</u>	<u>2,084,382</u>
<u>Operating Expenses:</u>		
Personnel	420,345	448,523
Administrative	100,556	69,074
Professional Services	16,171	20,580
Purchased Water	410,090	290,763
Treatment/Distribution	241,613	256,984
Maintenance	88,076	97,497
Depreciation	982,785	974,620
Total Operating Expenses	<u>2,259,636</u>	<u>2,158,041</u>
Operating Income (Loss)	<u>353,025</u>	<u>(73,659)</u>
<u>Nonoperating Revenue (Expense):</u>		
Gain on Disposal of Assets	0	6,107
Interest Income	2,268	4,651
Feasibility/Application Fees	18,300	17,700
Relocation/Service Charges	1,630	1,080
Transfer Fees	670	660
Interest Expense	(148,984)	(120,645)
Total Nonoperating Revenue (Expense)	<u>(126,116)</u>	<u>(90,447)</u>
Net Income Before Contributions	<u>226,909</u>	<u>(164,106)</u>
Construction Income - Add-Ons - Distribution System	73,276	82,719
	<u>73,276</u>	<u>82,719</u>
Change in Net Position	<u>300,185</u>	<u>(81,387)</u>
Net Position - Beginning	<u>18,321,840</u>	<u>18,403,227</u>
NET POSITION - ENDING	<u><u>18,622,025</u></u>	<u><u>18,321,840</u></u>

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

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2015 and 2014**

	2015	2014
<u>Cash Flows From Operating Activities:</u>		
Cash Receipts from Customers	2,358,659	2,209,598
Cash Payments to Employees for Services	(416,665)	(449,734)
Cash Payments to Suppliers of Goods and Services	(753,928)	(674,256)
Miscellaneous Income	6,550	13,321
Net Cash Provided (Used) by Operating Activities	1,194,616	1,098,929
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Feasibility/Application Fees	18,300	17,700
Relocation/Service Charges Income	1,630	1,080
Transfer Fees	670	660
Net Cash Provided (Used) by Non-Capital Financing Activities	20,600	19,440
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Contributions from Customers, Other Governments and Construction Income	57,540	98,455
Acquisition of Utility Plant Assets	(555,396)	(137,867)
Purchase of Vehicles	0	(21,912)
Purchase of Equipment and Buildings	(22,639)	(24,995)
Principal Paid on Bonds	(544,419)	(404,188)
Interest Paid	(148,984)	(120,645)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,213,898)	(611,152)
<u>Cash Flows From Investing Activities:</u>		
Interest Income	1,325	3,913
Net Cash Provided (Used) by Investing Activities	1,325	3,913
Net Increase (Decrease) in Cash and Cash Equivalents	2,643	511,130
Cash Balance at Beginning of Year	2,647,748	2,136,618
Cash Balance at End of Year	2,650,391	2,647,748

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

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2015 and 2014**

	2015	2014
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (Used) By Operating Activities:</u>		
Operating Income (Loss)	353,025	(73,659)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	982,785	974,620
(Increase) Decrease in Option to Purchase	1,200	0
(Increase) Decrease in Accounts Receivable	(247,739)	136,164
(Increase) Decrease in Material Inventory	(2,720)	(6,093)
(Increase) Decrease In Prepaid Expenses	(3,792)	1,801
Increase (Decrease) in Accounts Payable	19,078	(23,878)
Increase (Decrease) in Prepaid Water Sales	(238)	623
Increase (Decrease) in Customer Deposits	525	1,750
Increase (Decrease) in Accrued Payroll, Vacation, & Benefits	3,680	(1,211)
(Increase) Decrease in Prepaid Water Fees	88,812	88,812
Net Cash Provided (Used) by Operating Activities	1,194,616	1,098,929
 <u>Cash and Cash Equivalents are presented on the Statement</u>		
<u>of Net Position as follows:</u>		
Cash and Cash Equivalents	2,650,391	2,647,748
	2,650,391	2,647,748

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

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Organization

The TM Rural Water District (the "District") is organized under the authority of Chapter 46A-9-16 of the South Dakota Codified Laws of 1967, as amended, as a water user district.

The District was organized to construct or acquire a water system to conserve, control and distribute potable water to homes, pastures, feedlots, and elsewhere deemed feasible. The system consists of pumps, filtering and treatment plants, storage tanks, mains, pipelines, booster pumps and other water works deemed necessary to pump, filter, treat, store and distribute potable water.

The District provides water to users in primarily Turner and McCook counties in South Dakota and has its office in Parker, South Dakota. An elected Board of Directors consisting of nine directors governs the District. The District is authorized to exercise the power of eminent domain, and is a political subdivision of the State of South Dakota.

The District has no taxing powers and has no power to levy assessments. No governmental authority will have the power to levy or collect taxes or assessments for the purpose of paying, in whole or in part, any indebtedness or obligations incurred by the District in which the District is in any manner liable. Nor any privately owned property within or outside the District, or the owner thereof, nor any city, town, county, irrigation district, political subdivision, or public or private corporations will be liable for any such District indebtedness or obligation beyond the liability to perform the obligations of any express contract between such owner or public or private organizations and the District.

b. Financial Reporting Entity

The reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the above criteria, the District does not have any component units that require inclusion in the financial statements. Conversely, the District is not a component unit of another government.

c. Basis of Presentation

The accounting policies of the TM Rural Water District conform to U.S. generally accepted accounting principles applicable to governmental enterprise funds.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

d. Measurement Focus and Basis of Accounting

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

The District, as a utility enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The accompanying financial statements reflect the flow of economic resources measurement focus, applied on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues consist principally of water sales to customers. Expenses include the costs of operating the District, including the purchase and treatment of water, personnel, administration, professional services, maintenance, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or contributions. Non-operating revenues and expenses include interest income and interest expense amounts and contributions include construction revenue from customers and grants.

e. Deposits and Investments

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits — The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and may be in the form of demand or time deposits.

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

Investments — In general, SDCL 4-5-6 permits District funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly including; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

The District's investments, carried at market, at December 31, 2015 were as follows:

	Credit Rating	2015
<u>External Investment Pool</u>		
South Dakota Public Funds Investment Trust	Unrated	\$ 2,421,660
Total Investments		\$ 2,421,660

The South Dakota Public Funds Investment Trust (SD FIT) is an external investment pool that was established under SDCL 1-24. A nine-member board regulates it with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**Interest Rate Risk** — The District 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.

**Credit Risk** — State law limits eligible investments for the District, as discussed above. The District's investment policy is to invest funds in excess of amounts needed for day to day operations in CDs purchased from banks offering the best rates, or in the South Dakota Public Funds Investment Trust.

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

f. Accounts Receivable

No allowance for bad debt has been provided because estimated uncollectible receivables are not considered material. Accounts receivable consists of the following at December 31, 2015:

	2015
Water	\$ 288,896
Construction charges	1,145
	\$ 290,041

g. Inventory

Inventory consists of material and supplies used in the construction and maintenance of the utility plant and water lines and are valued at the lower of cost or market using the first-in, first-out method.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

h. Capital Assets:

All capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. As of December 31, 2015, there were no costs determined by estimations of the original cost. The cost of the distribution system includes the primary construction and installation of the water lines, pits, meters, engineering services, legal expenditures directly related to construction, and other items necessary in the distribution of the water. Also included in the cost of the distribution system was interest that was paid during the period of construction. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The District's policy is to capitalize those assets with a useful life greater than one year. The District generally capitalized assets with an initial acquisition cost of \$1,000 or more.

Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Construction costs of water lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions.

Interest expense is capitalized on assets acquired with proceeds of tax-exempt borrowings that are externally restricted. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use. Interest capitalized and included in Capital Assets (Construction Work in Progress) at December 31, 2015 was \$0.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the balance sheet.

Depreciation has been provided over the following estimated useful lives using the straight-line method.

Utility Plant:	Wells	20 – 28 years
	Storage	35 years
	Treatment Plant	20 – 35 years
	Distribution System	15 – 40 years
Other Property:	Office Building	31.5 years
	Vehicles	5 years
	Office Equipment	5 – 12 years
	Other Equipment	5 – 7 years

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

i. Net Position Classifications

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets." Unlike the restricted net position, the Board of Directors has discretion in determining the use of any unrestricted net position. The Board may at any time change or eliminate amounts established for these purposes.

j. Application of Net Position

It is the District'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.

k. Fund Revenue and Expense Classifications

In the Statements of Revenues and Expenses and Changes in 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.

l. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

m. Cash Flows

For the purpose of financial reporting, the District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Investments in money market open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

n. Budgets

The District is not legally required to adopt a budget; however, the District is contractually required by Rural Development to approve an annual operating budget. The budgets are prepared in accordance with Rural Development requirements and, therefore, are not comparable to the GAAP financial presentation in this report. Therefore, budgetary data is not included in the basic financial statements.

o. Accumulated Unpaid Vacation and Sick Pay

Employees earn annual leave at the rate of one week after one year of employment, two weeks after two years and three weeks after five years of employment. Upon termination employees are entitled to receive compensation for their accrued annual leave. This liability is reflected in the financial statements. Employees are allowed to carry over three weeks of vacation to be used in the subsequent year. Sick leave is earned by the employees at the rate of twelve days per year cumulative to sixty days. Upon termination, employees are not entitled to receive compensation for their accrued sick leave.

**2. EMPLOYEE RETIREMENT PLANS**

The District is a member system in the National Telephone Cooperative Association. The National Telephone Cooperative Association sponsors cost-sharing multiple employer retirement plans that the District has adopted for its employees pursuant to SDCL 46A-9-78. One is the Retirement and Security Program. All employees with over six months of service and who have worked over 1,000 hours in the plan year are eligible to participate. The program provides retirement and survivors' benefits and is considered a defined benefit plan.

There is no requirement for vesting. Authority for the plan is under IRS code sections 414(b), (c), (m) or (o). The organization issues a financial report that includes financial statements and required supplementary information. This report may be obtained at NTCA, BBT Building, Suite 300, Asheville, North Carolina, 28801.

Each participating organization may choose its amount of contribution. The contribution is determined on the basis of the employee's salary. In 2015, the District contributed 16.10% of the employees' salary (13.1% plus a 3.00% surcharge). The employee is not required to contribute to the plan. Contributions expensed for the years ended December 31, 2015, 2014, and 2013 were \$46,562, \$44,445, and \$41,126, respectively.

The District also participates in the Money Purchase Segment of the Savings Plan sponsored by the National Telephone Cooperative Association. This multiple employer plan allows eligible employees to make a post-tax contribution of 1% of their compensation to the plan, which the District is required to match. The employee may make additional voluntary contributions up to 10% of compensation. The District does not match these voluntary contributions. For the years ended December 31, 2015, 2014, and 2013, contributions for the 1% match were \$2,696, \$2,583, and \$2,578, respectively.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**3. CHANGES IN CAPITAL ASSETS**

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

	Balance 01/01/2015	Increases	Decreases	Balance 12/31/2015
Capital Assets, Not Being Depreciated:				
Land	214,125.73			214,125.73
Construction Work in Progress	63,482.36	334,195.05	(162,911.95)	234,765.46
Total Capital Assets, Not Being Depreciated	<u>277,608.09</u>	<u>334,195.05</u>	<u>(162,911.95)</u>	<u>448,891.19</u>
Capital Assets, Being Depreciated:				
Utility Plant Assets:				
Wells	1,148,689.58	4,700.00		1,153,389.58
Storage	1,319,144.75			1,319,144.75
Treatment Plant Building	12,009,397.50	27,416.49		12,036,813.99
Distribution System	18,046,089.20	351,996.88		18,398,086.08
Total Utility Plant Assets	<u>32,523,321.03</u>	<u>384,113.37</u>	<u>0.00</u>	<u>32,907,434.40</u>
Less Accumulated Depreciation for:				
Wells	(578,221.11)	(53,821.51)		(632,042.62)
Storage	(770,048.80)	(37,689.85)		(807,738.65)
Treatment Plant Building	(3,421,109.30)	(384,955.79)		(3,806,065.09)
Distribution System	(8,016,604.86)	(454,320.54)		(8,470,925.40)
Total Accumulated Depreciation	<u>(12,785,984.07)</u>	<u>(930,787.69)</u>	<u>0.00</u>	<u>(13,716,771.76)</u>
Total Utility Plant Assets, Net	<u>19,737,336.96</u>	<u>(546,674.32)</u>	<u>0.00</u>	<u>19,190,662.64</u>
Other Assets:				
Buildings	116,994.98			116,994.98
Vehicles	148,552.81			148,552.81
Office Equipment	66,244.18	4,438.83		70,683.01
Other Equipment	146,620.27	20,145.29	(12,967.00)	153,798.56
Total Other Assets	<u>478,412.24</u>	<u>24,584.12</u>	<u>(12,967.00)</u>	<u>490,029.36</u>
Less Accumulated Depreciation for:				
Buildings	(67,311.78)	(3,714.12)		(71,025.90)
Vehicles	(77,332.09)	(25,765.72)		(103,097.81)
Office Equipment	(57,672.79)	(3,439.13)		(61,111.92)
Other Equipment	(94,541.61)	(19,078.76)	11,021.95	(102,598.42)
Total Accumulated Depreciation	<u>(296,858.27)</u>	<u>(51,997.73)</u>	<u>11,021.95</u>	<u>(337,834.05)</u>
Total Other Assets, Net	<u>181,553.97</u>	<u>(27,413.61)</u>	<u>(1,945.05)</u>	<u>152,195.31</u>
Total Capital Assets Being Depreciated, Net	<u>19,918,890.93</u>	<u>(574,087.93)</u>	<u>(1,945.05)</u>	<u>19,342,857.95</u>
Total Capital Assets, Net	<u>20,196,499.02</u>	<u>(239,892.88)</u>	<u>(164,857.00)</u>	<u>19,791,749.14</u>

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(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>
Future System Development	\$ 350,000.00	\$ 94,378.85	\$ 255,621.15	\$0.00
SE Water Tower Project	251,000.00	9,036.96	241,963.04	0.00
Lake Vermillion Project	181,350.00	131,349.65	50,000.35	0.00
<b>TOTAL</b>	<b>\$ 782,350.00</b>	<b>\$ 234,765.46</b>	<b>\$ 547,584.54</b>	<b>\$0.00</b>

**4. CUSTOMER DEPOSITS**

Customers who do not own their property but rent must make a deposit of \$100 before the water is hooked up. When the customer moves and if the water bill is current, they are refunded their deposit.

**5. 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>
Business-Type Activities:					
Revenue Bonds, Series 2013	5,087,687.50		525,000.00	4,562,687.50	540,000.00
SRF - Drinking Water # 1	894,190.02		19,419.18	874,770.84	20,008.34
Total Debt	<u>5,981,877.52</u>	<u>0.00</u>	<u>544,419.18</u>	<u>5,437,458.34</u>	<u>560,008.34</u>
Accrued Compensated Absences	<u>12,320.14</u>	<u>16,463.76</u>	<u>15,011.34</u>	<u>13,772.56</u>	<u>13,772.56</u>
Total Business-Type Activities	<u>5,994,197.66</u>	<u>16,463.76</u>	<u>559,430.52</u>	<u>5,451,230.90</u>	<u>573,780.90</u>

The debt payable at December 31, 2015, is comprised of the following individual issues:

**Revenue Bonds 2013**

The District has a loan from First Bank & Trust of Brookings, SD, for \$4,562,687.50 at an interest rate of 2.5 percent. The loan is due in quarterly payments beginning January 2014 through July 2023.

**State Revolving Fund Drinking Water Loan #1**

The District has a loan from the State Revolving Fund through First National Bank of Sioux Falls for \$874,770.84 at an interest rate of 3.00 percent. The loan is due in quarterly installments beginning April 2014 through January 2044.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

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

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

Year Ending December 31,	Revenue Bond Series 2013		State Revolving Fund - Drinking Water # 1		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	540,000.00	109,062.50	20,008.34	26,019.46	560,008.34	135,081.96
2017	555,000.00	95,468.75	20,615.39	25,412.41	575,615.39	120,881.16
2018	570,000.00	81,468.75	21,240.83	24,786.97	591,240.83	106,255.72
2019	580,000.00	67,062.50	21,885.26	24,142.54	601,885.26	91,205.04
2020	600,000.00	52,375.00	22,549.25	23,478.55	622,549.25	75,853.55
2021-2025	1,717,687.50	67,406.25	123,432.79	106,706.21	1,841,120.29	174,112.46
2026-2030			143,328.23	86,810.77	143,328.23	86,810.77
2031-2035			166,430.45	63,708.55	166,430.45	63,708.55
2036-2040			193,256.42	36,882.58	193,256.42	36,882.58
2041-2044			142,023.88	7,567.79	142,023.88	7,567.79
Totals	<u>4,562,687.50</u>	<u>472,843.75</u>	<u>874,770.84</u>	<u>425,515.83</u>	<u>5,437,458.34</u>	<u>898,359.58</u>

**6. RESTRICTED NET POSITION**

Restricted Net Position for the year ended December 31, 2015 was as follows:

Major Purposes:

Bond Reserve Purposes	<u>\$ 496,000.00</u>
Total Restricted Net Position	<u>\$ 496,000.00</u>

These balances are restricted due to loan agreements.

**7. RISK MANAGEMENT**

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

Employee Health Insurance:

The District 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 District 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.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

The following policies are in effect:

	<u>Amount of Insurance</u>
Property Insurance	\$12,944,148
Liability Insurance	\$1,000,000 / \$3,000,000
Crime (Blanket employee dishonesty)	\$ 500,000
Umbrella Insurance	\$3,000,000
Directors and Officers Liability	\$1,000,000 / \$3,000,000

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation:

The District purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**8. COMMITMENTS**

B-Y Water District

In 1994, TM Rural Water District and B-Y Water District entered into a 40-year water supply agreement. Under the agreement, TM Rural Water District can purchase up to 640,000 gallons per day. If B-Y Water District deems it has it available, TM Rural Water District can purchase additional gallons up to 1,250,000 gallons per day. In addition to the cost of any water purchases, TM Rural Water District is required to pay a monthly minimum payment of \$7,401 to the B-Y Water District through approximately 2036. In 2013, TM Rural Water District prepaid the balance of their commitment to B-Y Water District. The minimum fee totaling \$88,812 for the year will be included in "Purchased Water" expense for all future years until the commitment expires.

**TM RURAL WATER DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the Years Ended December 31, 2015 and 2014**

	2015	2014
<u>Operating Expenses:</u>		
Personnel		
Salary - Administrative	109,508	125,952
Wages - Operators	172,160	163,815
Employee Benefits	46,775	60,891
Retirement Contributions	49,757	46,828
Directors Fees	13,340	16,530
Payroll Taxes	24,624	27,607
Directors Expense	4,181	6,900
Total Personnel	420,345	448,523
Administrative		
Insurance	48,270	27,671
Dues	11,057	7,394
Newsletter	2,308	2,194
Postage	4,977	6,083
Office - Supplies	3,247	3,586
Billing Costs	14,563	1,470
Office - Telephone	2,125	2,303
Training / Meeting	8,751	11,814
Advertising - Legal and Promotion	371	1,095
Office - Utilities	2,425	2,201
Copier and Postage Meter Maintenance	570	540
Office - Maintenance	579	687
Water Refund	69	506
Miscellaneous	1,244	1,530
Total Administrative	100,556	69,074
Professional Services		
Engineering	3,005	7,329
Accounting & Computer	9,740	11,559
Legal	3,426	1,692
Total Professional Services	16,171	20,580
Purchased Water	410,090	290,763
Treatment / Distribution		
Electricity	128,306	125,859
Lab Testing/Water Supplies	5,526	5,732
Chemicals	105,285	123,331
Plant Telephone	2,055	2,021
Miscellaneous	441	41
Total Treatment / Distribution	241,613	256,984

**TM RURAL WATER DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Maintenance		
Distribution Maintenance	7,767	15,567
Vehicle Expense	27,862	33,961
Leak Repair / Backhoe	6,654	10,416
WTP/Warehouse and Generator Maintenance	39,450	18,406
Answering Services	3,058	2,160
One Call	1,350	1,236
Well Maintenance	633	15,531
Equipment Expense and Repair	<u>1,302</u>	<u>220</u>
Total Maintenance	<u>88,076</u>	<u>97,497</u>
Depreciation	<u>982,785</u>	<u>974,620</u>
Total Operating Expenses	<u><u>2,259,636</u></u>	<u><u>2,158,041</u></u>