TRIPP COUNTY WATER USER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2015 and 2014

TRIPP COUNTY WATER USER DISTRICT

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DeSmet and Biggs, LLP
Certified Public Accountants

Dennis O. DeSmet, CPA
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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*

Board of Directors
Tripp County Water User District
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 business-type activities of the Tripp County Water User District of Winner, South Dakota, (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 July 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tripp County Water User 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 on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tripp County Water User District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tripp County Water User District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Tripp County Water User District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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* (CONTINUED)

Compliance and Other Matters

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

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 District'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.

Dedmet and Biggs, LLP

July 11, 2016

DeSmet and Biggs, LLP
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Dennis O. DeSmet, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Tripp County Water User District
Winner, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Tripp County Water User District, South Dakota compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code *of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (continued)

Opinion on Each Major Federal Program

In our opinion, Tripp County Water User District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Dahmet and Bigger, LLP

July 11, 2016

TRIPP COUNTY WATER USER DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Prior Audit Findings

There were no prior audit findings.

TRIPP COUNTY WATER USER DISTRICT

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified	
• Material weaknesses identified?	____ yes	_x_ no
• Significant deficiency identified that are not considered to be material weaknesses?	____ yes	_x_ none reported
Noncompliance material to financial statements noted?	____ yes	_x_ no

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?	____ yes	_x_ no
• Significant deficiency identified that are not considered to be material weaknesses?	____ yes	_x_ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	____ yes	_x_ no

Identification of Major Programs:

Name of Federal Program or Clusters	CFDA Numbers
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ____ yes _x_ no

Section II – Current Financial Statement Findings

There were no current audit findings.

Section III – Current Federal Award Findings

There were no current audit findings.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tripp County Water User District
Winner, South Dakota

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tripp County Water User District, South Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basis financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control 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 audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the Tripp County Water User District, South Dakota, as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 16 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 the financial statements that collectively comprise the Water District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the Uniform Guidance, 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 July 11, 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 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.

Demetand Biggs, LLP

July 11, 2016

Tripp County Water User District
1052 West 1st Street
Winner, South Dakota 57580

Phone: 605-842-2755 **Fax: 605-842-1621**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Tripp County Water User District's financial performance provides an overview of the Water District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Water District's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- During 2015, the Water District's capital assets increased by $7,692,405, or 25.07% as a result of water system improvements and equipment purchases and disposals. During 2014 capital assets increased by $746,883, or 2.50% as a result of water system improvements and equipment purchases and disposals.

- For the 2015 fiscal year, water sales for the District were $2,537,224, an increase of $247,420, or 10.81% from 2014, while operating expenses were $1,924,910, a decrease of $81,531, or 4.06% from 2014. For the 2014 fiscal year, water sales were $2,289,804, an increase of $169,943, or 8.02% from 2013, while operating expenses were $2,006,441, an increase of $42,926, or 2.19% from 2013.

- The Water District had an increase of $731,468 in net position in the 2015 fiscal year and an increase of $244,928 in net position in the 2014 fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position (on pages 17 through 18) provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances.

REPORTING THE WATER DISTRICT AS A WHOLE

One of the most important questions asked about the Water District's finances is, "Is the Water District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Water District's net position and changes in them. You can think of the Water District's net position - the difference between assets and liabilities - as one way to measure the Water District's financial health, or financial position. Over time, increases or decreases in the Water District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Water District's water revenue base and the condition of the Water District's water distribution system, to assess the overall health of the Water District.

In the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position, the Water District only has one type of activity.

- Business-type activities – The Water District charges a fee to customers to help it cover all of the cost of operating the water distribution system.

REPORTING THE WATER DISTRICT'S SIGNIFICANT FUNDS

Because the Water District only has one fund (a proprietary fund), no fund statements were presented in the financial reports. The proprietary fund uses the following approach in its financial statement presentation.

- Proprietary funds – When the Water District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position.

THE WATER DISTRICT AS A WHOLE

The Water District's combined net position changed from 2014 to 2015 – increasing from $7.81 million to $8.54 million, for a $731 thousand, or 9.37% increase in net position. From 2013 to 2014, combined net position increased from $7.56 million to $7.81 million, for a $245 thousand, or 3.24% increase. Our analysis below will focus on the net position (Table 1) and changes in net position (Table 2) of the Water District's business-type activities.

Table 1
Net Position

	Business-type Activities		
	2015	2014	2013
Current and other assets	$ 4,010,744	$ 2,815,547	$ 2,800,727
Capital assets	20,118,513	13,413,824	13,615,579
Total assets	24,129,257	16,229,371	16,416,306
Long-term debt outstanding	13,981,635	7,478,905	7,945,772
Other liabilities	1,610,128	944,440	909,436
Total liabilities	15,591,763	8,423,345	8,855,208
Invested in capital assets, net of debt	5,658,740	4,564,483	5,213,930
Restricted	582,367	587,561	547,175
Unrestricted (deficit)	2,296,387	2,653,982	1,799,993
Total net position	8,537,494	7,806,026	7,561,098
Total liabilities and net position	$ 24,129,257	$ 16,229,371	$ 16,416,306

Net position of the Water District increased by 9.37% ($8.54 million compared to $7.81 million) in 2015. In 2014, net position increased by 3.24% ($7.81 million compared to $7.56 million). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $357,595, or 13.47% ($2.30 million compared to $2.65 million) in 2015 and increased by $853,989, or 47.44% ($2.65 million compared to $1.80 million) in 2014.

Table 2
Changes in Net Position

	Business-type Activities		
	2015	2014	2013
Revenues			
Program revenues:			
Water sales	$ 2,537,224	$ 2,289,804	$ 2,119,861
Rent	64,161	58,910	59,090
Other operating revenue	308,972	170,551	277,682
Nonoperating revenues:			
Interest income	11,841	8,978	10,053
Total revenues	2,922,198	2,528,243	2,466,686
Expenses			
Operating expenses:			
Cost of sales & service	596,971	667,261	558,898
Administrative	337,249	365,845	380,714
Depreciation	990,690	973,335	1,023,903
Nonoperating expenses:			
Interest expense	265,820	276,874	291,420
Transfer to/(from) restrictive reserves	(5,194)	40,386	(5,918)
Total expenses	2,185,536	2,323,701	2,249,017
Excess of revenues over expenses	736,662	204,542	217,669
Increase/(Decrease) in restricted net position	(5,194)	40,386	(5,918)
Increase/(Decrease) in net position	731,468	244,928	211,751
Total Net Position - Beginning	7,806,026	7,561,098	7,349,347
Total Net Position - Ending	$ 8,537,494	$ 7,806,026	$ 7,561,098

In 2015, the total revenues of the Water District increased by $393,955, or 15.58%. In 2014, the total revenues increased by $61,557, or 2.50%. The total cost of all programs and services decreased by $92,585, or 4.05% in 2015, compared to an increase of $28,380, or 1.26% in 2014.

The Water District's revenues from its operating activities (see Table 2) increased by $391,092, or 15.52% in 2015 compared to an increase of $62,632, or 2.55% in 2014 ($2,910,357 in 2015, $2,519,265 in 2014, and $2,456,633 in 2013) while operating expenses decreased by $81,531, or 4.06% in 2015 and increased by $42,926, or 2.19% in 2014.

THE WATER DISTRICT'S FUNDS

As the Water District completed the year, it reported a fund balance of $8,537,494, which was more than $7,806,026 in 2014, which was more than $7,561,098 in 2013. The following events that caused changes in fund balances should be noted:

- As shown in Note 3 to the financial statements, the Water District added capital assets in the amount of $7,695,380 this year, 99.6% of that being in water system improvements. The District added capital assets in the amount of $1,196,333 in 2014.

- As shown in Note 5 and Note 8 to the financial statements, the Water District made principal payments during 2015 of $464,791, and acquired $6,978,844 in new debt. As a result, the Water District's net debt increased by $6,514,053. In 2014, the Water District made principal payments of $445,930 and acquired no new debt.

- During 2015 and 2014, the Water District also received $121,613 and $45,095, respectively, in "Tap Fees" from new hook-ups from its members, which is included as a component of other operating revenue on the statement of changes in net position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the Water District had $38,374,003 invested in a broad range of capital assets, including land, buildings, equipment, and the water distribution system. (See Table 3). This amount represents a net increase of capital assets owned by the Water District (including additions and deductions) of $7,692,405, or 25.07%. At the end of 2014, the Water District had $30,681,598 invested in capital assets, representing a net increase of $746,883, or 2.50%.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Business-type Activities		
	2015	2014	2013
Land	$ 645,247	$ 645,247	$ 645,247
Buildings	402,800	401,039	392,935
Equipment	615,402	590,037	547,460
Water system	28,955,503	28,621,882	28,005,006
Construction in progress	7,755,051	423,393	344,067
	38,374,003	30,681,598	29,934,715
Less depreciation	18,255,490	17,267,774	16,319,136
Totals	$ 20,118,513	$ 13,413,824	$ 13,615,579

Major additions included:

2015: Water system improvements.
2014: Water system improvements.

The Water District's fiscal year 2016 capital plans consist of continuing internal upgrade projects including replacing meters and meter pits. The total expected cost for these projects is approximately $444,356 and will be paid entirely through internal funding.

The Water District will complete a two-year internal upgrade project in 2016. This project consists of upgrading booster pump stations, paralleling lines, installing two new water towers, and adding new customers. The estimated cost is approximately $11.5 million and has been secured by a South Dakota Department of Natural Resources loan.

Debt

At year-end, the Water District had $14.46 million in bonds and notes outstanding, versus $7.95 million last year and $8.40 million in 2013 – an increase of $6,514,053, or 81.98% in 2015 and a decrease of $455,929, or 5.43% in 2014 – as shown in Table 4.

Table 4
Outstanding Debt at Year-end

	Business-type Activities		
	2015	2014	2013
Loans payable	$ 13,339,773	$ 6,545,720	$ 6,726,649
Refunding bonds payable	1,120,000	1,400,000	1,675,000
Totals	$ 14,459,773	$ 7,945,720	$ 8,401,649

More detailed information about the Water District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Water District's Board of Directors has approved the budget for the next fiscal year. Also, water rates have been set to provide adequate cash flow to fund operating expenses as well as debt obligations.

CONTACTING THE WATER DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Water District's finances and to show the Water District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Water District office at 1052 West 1st Street, Winner, SD 57580.

STATEMENTS OF NET POSITION

LIABILITIES AND NET POSITION

	December 31, 2015	December 31, 2014
Current Liabilities		
Accounts payable	$ 669,375	$ 68,639
Accrued interest	98,086	41,343
Unearned revenues	359,351	363,528
Current maturities of long-term debt	478,138	466,815
Other current liabilites	5,178	4,115
Total current liabilities	1,610,128	944,440
Noncurrent Liabilities, Net of Current Maturities		
Construction Loan Payable	6,978,844	-
Loans payable	6,167,791	6,358,905
Bonds payable	835,000	1,120,000
Total noncurrent liabilities	13,981,635	7,478,905
Net Position		
Net investment in capital assets	5,658,740	4,564,483
Restricted for debt service and reserves	582,367	587,561
Unrestricted	2,296,387	2,653,982
Total net position	8,537,494	7,806,026
Total Liabilities and Net Position	$ 24,129,257	$ 16,229,371

TRIPP COUNTY WATER USER DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended December 31, 2015	2014
Operating Revenues:		
Water sales	$ 2,537,224	$ 2,289,804
Rent	64,161	58,910
Other	308,972	170,551
Total operating revenue	2,910,357	2,519,265
Operating Expenses:		
Costs of sales and service	596,971	667,261
Administrative	337,249	365,845
Depreciation	990,690	973,335
Total operating expenses	1,924,910	2,006,441
Operating income	985,447	512,824
Nonoperating Revenues (Expenses):		
Interest income	11,841	8,978
Interest expense	(265,820)	(276,874)
Total nonoperating revenues (expenses)	(253,979)	(267,896)
Net income	731,468	244,928
Net Position - Beginning	7,806,026	7,561,098
Net Position - Ending	$ 8,537,494	$ 7,806,026

The accompanying notes are an integral part of
these financial statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2015	Years Ended December 31, 2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 985,447	$ 512,824
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	990,690	973,335
Amortization	1,000	1,000
Changes in assets and liabilities:		
Receivables	(117,000)	103,728
Inventory	(1,094)	15,203
Prepaid expenses	(3,550)	(102)
Accounts payable	304	4,409
Deferred revenues	(4,177)	23,867
Other current liabilities	1,063	687
Net Cash Provided by Operating Activities	$ 1,852,683	$ 1,634,951
Supplemental Disclosure of Noncash Activities		
Basis of pickup traded for new pickup		$ 567

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tripp County Water User District (the District) was created in 1972 for the purpose of financing, constructing, maintaining and operating a rural water distribution system. The District was 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 operates under the direction of a board of directors who are elected by the members of the district and provides safe drinking water to its members throughout South Central South Dakota.

Basis of Presentation

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

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 financial statements are presented using the economic resources measurement focus, applied on 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).

Deposits, Investments and Cash Equivalents

For the purpose of the District's Statement of Cash flows, the District considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, including restricted cash and cash equivalents. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Note 1. Summary of Significant Accounting Policies (continued)

Deposits, Investments and Cash Equivalents (continued)

Deposits – The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. 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 better, 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 only 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, bonds, 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; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The District's cash and cash equivalents consisted only of checking and savings accounts, and money market accounts. At December 31, 2015 and 2014, investments classified in the financial statements consist entirely of certificates of deposits whose term to maturity at date of acquisition exceeds three months. All of these accounts are insured or collateralized in the District's name.

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 of the District as discussed above. The District has no investment policy that would further limit its investment choices.

Concentration Risk:
The District places no limit on the amount that may be invested in any one issuer.

Note 1. Summary of Significant Accounting Policies (continued)

Federal Income Taxes

The District qualifies as a political subdivision incorporated under the laws of South Dakota and is not subject to Federal Income Taxes.

Inventory

The District's inventories, consisting of parts, materials and supplies, are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment

Assets in property, plant and equipment are stated at cost. The District provides for depreciation on a straight-line basis at an annual rate which will amortize the undepreciated cost of depreciable property over estimated remaining service lives. The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized. When property, plant and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Estimated useful lives for financial reporting purposes are as follows:

	Years
Vehicles	3-5
Equipment	5-12
Buildings	20-35
Water System	20-40

The District currently capitalizes all property, plant and equipment purchases exceeding $5,000 that have a useful life exceeding one year.

Unearned Revenues

In November and December of each year the District pre bills minimum amounts for the next year's water usage. These amounts (both collected and uncollected at year-end) are shown as unearned revenues in the accompanying financial statements.

Capitalized Interest

Interest costs are capitalized when incurred by the District on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds, if any, of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no capitalized interest in 2014. In 2015 $63,341 in construction period interest was capitalized.

Revenue Recognition

Revenues are recorded on the basis of cycle billings rendered. Unbilled service amounts are not recognized until billed, and are considered immaterial. Customer accounts receivable are deemed fully collectable, therefore, no allowance for doubtful accounts has been established.

Note 1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

Operating revenues and expenses for the District are those that result from providing services and include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Net Position

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

3. Unrestricted net position – All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Application of Net Position

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Accumulated Unpaid Vacation and Sick Leave

Employees earn 12 to 18 days of annual leave per calendar year depending upon length of employment. In the event of termination, an employee is reimbursed for only unused accumulated annual leave. Employees are required to use their accumulated annual leave in the year in which it is earned; if not used, the annual leave is lost. Therefore, there is no accrual for annual leave at the end of the calendar year.

Sick leave is accumulated by full time employees at a rate of 1 day per month of employment, not to exceed 180 days. No cash payment will be made for sick leave upon termination, therefore no accrual is recognized.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2. Restricted Assets

Restricted assets consisted of the following at December 31,

	2015	2014
Reserve deposit required by FmHA	$ 161,623	$ 160,729
Funds on deposit with fiscal agent for purpose of interest and principal payments on 2010 Bonds	420,744	426,832
	$ 582,367	$ 587,561

These funds are presented as Restricted for Debt Service and Reserves as part of Net Position.

Note 3. Capital Assets

The following is a summary of changes in capital assets:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Land	$ 645,247	$ -	$ -	$ 645,247
Buildings	401,039	1,761	-	402,800
Equipment	590,037	28,340	2,975	615,402
Water System	28,621,882	333,621	-	28,955,503
Construction-In-Progress	423,393	7,331,658	-	7,755,051
Totals	30,681,598	7,695,380	2,975	38,374,003
Less Accumulated Depreciation for				
Buildings	93,416	13,503	-	106,919
Equipment	446,384	42,428	2,975	485,837
Water System	16,727,974	934,760	-	17,662,734
Total accumulated depreciation	17,267,774	990,691	2,975	18,255,490
Net Capital Assets	$ 13,413,824	$ 6,704,689	$ -	$ 20,118,513

The construction-in-progress consists of a new well and an internal systems upgrade. The new well construction that began in 2013 was completed in 2014 at a total cost of $424,186. It was funded with cash flows from operations. The system upgrade is in the construction stage as discussed in Note 8.

Note 4. Loan Origination Fees

Amortization expense of $1,000 and $1,000 has been charged to operations for the years ending December 31, 2015 and 2014, respectively.

Note 5. Long-Term Debt

The following is a summary of changes in long-term debt:

	Debt 12/31/2014	Retired	Debt 12/31/2015	Due Within One Year
USDA FmHA Loans	$ 3,743,263	$ 60,800	$ 3,682,463	$ 65,679
Berkadia Finance	116,977	18,150	98,827	19,060
State of SD - State Revolving Fund	2,685,479	105,840	2,579,639	108,399
2010 Bond Indebtedness	1,400,000	280,000	1,120,000	285,000
Total Debt	$ 7,945,719	$ 464,790	$ 7,480,929	$ 478,138

Long-Term Debt consisted of the following at December 31,

	2015	2014
USDA-FmHA - 4.5%, payable in monthly installments of $1,148, due January 2043.	$ 215,102	$ 218,973
USDA - FmHA 4.875%, payable in monthly installments of $3,141, due November 2035.	478,561	492,243
USDA - FmHA 4.375%, payable in monthly installments of $2,368, due June 2044.	462,065	469,798
USDA - FmHa - 4.125%, payable interest only in 2007, monthly installments of $1,088, due December 2045.	224,339	227,935
USDA - FmHA - 4.125%, payable interest only in July, 2009, then monthly installments of $10,741, due June 2048.	2,302,396	2,334,314
State of South Dakota - State Revolving Fund Loan, 0%, payable in quarterly installments of $1,095, due October 2034.	83,263	87,646
State of South Dakota - State Revolving Fund Loan, 2.5%, payable in quarterly installments of $41,546, due October 2034.	2,496,376	2,597,833
Berkadia Finance - 5%, payable in monthly installments of $1,964, due July 2020.	98,827	116,977

Note 5. Long-Term Debt (continued)

	2015	2014
Water Revenue Refunding Bonds, Series 2010, due in annual installments of $225,000 to $545,000, plus interest ranging from 1.0% to 3.25%. Average coupon rate is 2.75%.	$ 1,120,000	$ 1,400,000
Total long-term debt	7,480,929	7,945,719
Less current maturities	(478,138)	(466,815)
	$ 7,002,791	$ 7,478,904

The State Revolving Fund Loans are secured by real estate, all goods and equipment.

The Bonds constitute an absolute and unconditional obligation of the District and shall be payable solely from its gross revenues and amounts held therefore by the Trustee under resolution.

The annual requirements to retire debt is as follows:

Year(s) Ended	Principal	Interest	Total Requirement
2016	$ 478,138	$ 257,064	$ 735,202
2017	489,651	242,000	731,651
2018	751,412	226,539	977,951
2019	213,428	201,831	415,259
2020	213,976	194,563	408,539
2021-2025	1,087,445	870,910	1,958,355
2026-2030	1,278,004	680,351	1,958,355
2031-2035	1,328,213	453,970	1,782,183
2036-2040	642,221	278,479	920,700
2041-2045	702,092	132,914	835,006
2046-2049	296,349	15,544	311,893
	$ 7,480,929	$ 3,554,165	$ 11,035,094

Note 6. Retirement Plan

The Water District participates in the National Telephone Cooperative Association (NTCA), a cost-sharing, multiple employer defined benefit pension plan. This plan is authorized by SDCL 46A-9-78.

Employees who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life. The benefit is based on final average earnings multiplied by a product of 2.168% multiplied by the sum of accumulated system and participant net contribution percents. Employees may retire at or after age 55 and receive reduced benefits. There are no vesting requirements. The retirement system also provides death benefits.

Note 6. Retirement Plan (continued)

The National Telephone Cooperative Association issues a stand alone financial report on an annual basis. Copies are available at the NTCA's service center located in Asheville, NC or can be reviewed at the Water District's administrative office.

Covered employees are required to contribute 5 percent of their gross salary to the plan. The District is required to contribute an amount equal to 8.4 percent of the employee's gross salary. These provisions are established by the District's Board of Directors and may be amended contingent upon approval by USDA Rural Development.

	2015	2014	2013
Contribution Information:			
Contribution Requirements (total of employee and employer contributions)	$ 62,060	$ 50,009	$ 43,434
Water District Contribution	$ 44,303	$ 35,741	$ 30,142
Percent of Covered Payroll	8.4%	8.4%	8.4%
Employee Contribution	$ 17,757	$ 14,268	$ 13,292
Percent of Covered Payroll	5.0%	5.0%	5.0%

100% of the contribution requirements were contributed for all years.

Note 7. Risks of Loss

Tripp County Water User District is exposed to certain risks of loss, such as fire, casualty, and damage to property. The Water District has purchased adequate commercial insurance to minimize the loss from these occurrences. There have been no settlements exceeding insurance coverage during the preceding fiscal year.

Note 8. Construction Loan Funding for System Improvements and Expansion

The SD State Board of Water and Natural Resources in October 2014 approved $11.75 million in funding from the Drinking Water State Revolving Loan Fund for the District's improvement and expansion project. The 30 year bonds issued for the project carry a 2.25% annual percentage rate. No funds were drawn during the year ended December 31, 2014. Repayment begins July 2017. Payments will be determined based upon the final loan balance. Since the payment amounts are not determinable at December 31, 2015, the repayment obligations are not reflected in the annual requirements to retire debt schedule presented in Note 5 of the financial statements.

The project involves major improvements to the District's drinking water distribution mains, service lines, pump stations, and storage capacity. It also involves expanding the distribution system to include 95 new users and installing meter pits to 85 users in areas currently served. In December 2014 the District awarded contracts totaling $8,673,829 to two contractors for major portions of this work. As of December 31, 2015 draws against this loan totaled $6,978,844. The substantial completion date per the contracts is September 1, 2016

Note 9. Subsequent Events - Date of Management Evaluation

District Management has evaluated subsequent events through July 11, 2016, the date on which these financial statements were completed.

TRIPP COUNTY WATER USER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

	CFDA Number	Amount
U.S. Environmental Protection Agency		
Indirect Federal Funding:		
South Dakota Department of Natural Resources		
Capitalization Grants for Drinking Water State Revolving Loan Funds (Note 2)	66.468	$ 6,412,292

Note 1: The accompanying schedule of expenditures of federal awards included the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Note 2: This represents a major federal financial program. Federally funded loan programs had the following current year disbursement and outstanding loan balance at year end:

CFDA Number	Grant Program	Loan Disbursement	Loan Balance
66.468	Capitalization Grants	$ 6,412,292	$ 6,412,292

Note 3: DeMinimis Indirect Cost Rate:
Tripp County Water User District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.