

MUNICIPALITY OF DELL RAPIDS

AUDIT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2014

MUNICIPALITY OF DELL RAPIDS
TABLE OF CONTENTS

	Page
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance in Accordance With OMB Circular A-133.....	3
Schedule of Prior Audit Findings	5
Schedule of Current Audit Findings and Questioned Costs.....	6
Independent Auditor's Report	9
Basic Financial Statements	
<u>Government-Wide Financial Statements:</u>	
As of December 31, 2014:	
Statement of Net Position	12
For the Year Ended December 31, 2014:	
Statement of Activities	13
<u>Fund Financial Statements:</u>	
<u>Governmental Funds</u>	
As of December 31, 2014:	
Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
For the Year Ended December 31, 2014:	
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17

Proprietary Funds

As of December 31, 2014:

Statement of Net Position 18

For the Year Ended December 31, 2014:

Statement of Revenues, Expenses and Changes
in Fund Net Position 19

Statement of Cash Flows 20

Notes to the Financial Statements 21

Required Supplementary Information:

For the Year Ended December 31, 2014:

Budgetary Comparison Schedule – Budgetary Basis – General Fund 38

Notes to Required Supplementary Information – Budgetary Comparison Schedules 40

Supplementary Information:

Schedule of Expenditures of Federal Awards 41



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

City Council
Municipality of Dell Rapids
Dell Rapids, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Dell Rapids, South Dakota (Municipality), as of December 31, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described

in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2014-001 and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2014-002, and 2014-004.

Municipality's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the 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.

KMWF & Associates, PC

Dell Rapids, South Dakota
January 29, 2016



KMWF & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council
Municipality of Dell Rapids
Dell Rapids, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Dell Rapids, South Dakota (Municipality) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2014. The Municipality'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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Municipality'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 Municipality's compliance.

Opinion on Each Major Federal Program

In our opinion, the Municipality of Dell Rapids 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, 2014.

Report on Internal Control Over Compliance

Management of the Municipality 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 Municipality'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 OMB Circular A-133, 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 Municipality's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2014-001 to be a material weakness.

The City's response to the internal control compliance finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. 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.

KMWF + Associates, PC

Dell Rapids, South Dakota
January 29, 2016

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

Prior Audit Findings

Finding No. 2013-1:

A lack of segregation of duties existed for the accounting department. This finding has not been corrected and is restated as current audit finding number 2014-001.

Finding No. 2013-2:

Annual inventory records were not maintained. This finding has not been corrected and is restated as current audit finding number 2014-002.

Finding No. 2013-3:

Noncompliance with SRF loan agreements were noted during the audit. This finding has been corrected.

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements and are reported as Finding Numbers 2014-001 and 2014-003.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. Material weaknesses were disclosed for internal control over major federal programs as discussed in Finding Numbers 2014-001.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See finding number 2014-001.
- g. The federal awards tested as major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Economic Development Initiative - Special Project	14.251

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. Municipality of Dell Rapids did not qualify as a low-risk auditee.

Current Federal Audit Findings:

Internal Control – Related Findings – Material Weaknesses:

Finding No. 2014-001:

The major federal program affected is the Economic Development Initiative – Special Project. This finding affects the reporting compliance requirement category. This is the twelfth consecutive audit report in which this finding has appeared.

Criteria: Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

Condition Found: A lack of segregation of duties exists for the accounting department. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Effect: Because of the size of the entity and lack of segregation of duties, employees perform related functions.

Recommendation: Implementation of compensating controls.

Corrective Action Plan: The City agrees with this finding and is aware of the weakness. Due to the small size of the entity, management will continue to provide close scrutiny to financial accuracy. The council has implemented a Finance and Utilities Committee to oversee and advise employees directly in matters of finance. They will be provided greater detail on a regular basis regarding the finances of the City to allow a greater oversight.

Current Other Audit Findings:

Internal Control – Related Findings – Material Weaknesses:

Finding No. 2014-003:

Criteria: Financial statements should be maintained in accordance with generally accepted accounting principles.

Condition Found: Errors and omissions were noted in the annual financial statements prepared by municipal officials.

Effect: This condition could result in errors that are not detected in a timely manner.

Recommendation: Establish more effective review and reconciliation policies and procedures as a customary part of the accounting process.

Corrective Action Plan: The City agrees with this finding. Finance Officer will be responsible to perform review and reconciliation on a timely basis with supporting schedules.

Compliance and Other Matters:

Finding No. 2014-002:

Criteria: South Dakota Codified Law (SDCL) requires a copy of the annual inventory to be filed with the finance officer.

Condition Found: Annual inventory records were not maintained by the City of Dell Rapids. This is the sixth consecutive audit report in which this finding has appeared.

Effect: The City is not in compliance with SDCL 5-24-2.

Recommendation: An annual inventory listing should be prepared and submitted to the City Finance Officer.

Corrective Action Plan: The City agrees that inventory was not being reported to the Finance Officer at year end. The City will insure information is provided to the Finance Officer for reporting and will implement controls.

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding No. 2014-004:

Criteria: South Dakota Codified Law (SDCL) 9-21-9 requires that expenditures be limited to appropriated amounts.

Condition Found: The City of Dell Rapids incurred expenditures in excess of the budgeted amounts.

Effect: The City is not in compliance with SDCL 9-21-9 and incurred expenditures without proper authority.

Recommendation: We recommend that the City stay within its budget and if necessary use supplemental appropriations as allowed by state statute.

Corrective Action Plan: The City agrees that budget amounts were exceeded. The council will insure appropriate oversight is in place within the Finance and Utilities Committee, Administration and the Finance Office to take appropriate action to prevent reoccurrence.



INDEPENDENT AUDITOR'S REPORT

City Council
Municipality of Dell Rapids
Dell Rapids, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Dell Rapids, South Dakota (Municipality) as of December 31, 2014 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Dell Rapids as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations as 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 January 29, 2016 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Municipality's internal control over financial reporting and compliance.

KMWF + Associates, PC

Dell Rapids, South Dakota
January 29, 2016

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 3,020,308	\$ 2,271,095	\$ 5,291,403
Receivables	790,231	347,501	1,137,732
Restricted Assets:			
Deposits	40,625		40,625
Capital Assets:			
Land and Construction in Progress	2,339,693	1,060,135	3,399,828
Other Capital Assets, Net of Depreciation	6,962,495	7,961,736	14,924,231
TOTAL ASSETS	\$ 13,153,352	\$ 11,640,467	\$ 24,793,819
LIABILITIES:			
Accounts Payable	\$ 201,750	\$ 248,090	\$ 449,840
Other Current Liabilities	24,331	86,627	110,958
Noncurrent Liabilities:			
Due Within One Year	-	240,097	240,097
Due in More than One Year	19,544	5,429,068	5,448,612
TOTAL LIABILITIES	245,625	6,003,882	6,249,507
NET POSITION:			
Net Investment in Capital Assets	9,302,188	3,390,622	12,692,810
Restricted for:			
Debt Service Purposes		311,474	311,474
Capital Projects	203,582		203,582
Library	1,498		1,498
City Promotion	190,311		190,311
Insurance Cumulative Reserve	40,625		40,625
Unrestricted	3,169,523	1,934,489	5,104,012
TOTAL NET POSITION	12,907,727	5,636,585	18,544,312
TOTAL LIABILITIES AND NET POSITION	\$ 13,153,352	\$ 11,640,467	\$ 24,793,819

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

✓

MUNICIPALITY OF DELL RAPIDS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Library Building Fund	Nonmajor Funds	Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,692,266	\$ 605,695	\$ 71,422	\$ 2,369,383
Taxes Receivable - Delinquent	13,981			13,981
Accounts Receivable, Net	16,439			16,439
Special Assessments Receivable - Current	3,611			3,611
Special Assessments Receivable - Delinquent	2,474			2,474
Special Assessments Receivable - Deferred	3,770			3,770
Interest Receivable - Special Assessments	460			460
Notes Receivable			238,600	238,600
Deposits	40,625			40,625
Due from Library Building Fund	258,120			258,120
Due from Federal Government		487,000		487,000
Due from State Government	23,509		387	23,896
	<u>2,055,255</u>	<u>1,092,695</u>	<u>310,409</u>	<u>3,458,359</u>
TOTAL ASSETS	\$ 2,055,255	\$ 1,092,695	\$ 310,409	\$ 3,458,359
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable	\$ 57,757	\$ 143,993	\$ -	\$ 201,750
Due to General Fund		258,120		258,120
Accrued Wages Payable	22,037			22,037
Accrued Taxes Payable	2,294			2,294
	<u>82,088</u>	<u>402,113</u>	<u>-</u>	<u>484,201</u>
TOTAL LIABILITIES	82,088	402,113	-	484,201
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	13,981			13,981
Unavailable Revenue - Special Assessments	10,315			10,315
Other Deferred Inflows of Resources		487,000		487,000
	<u>24,296</u>	<u>487,000</u>	<u>-</u>	<u>511,296</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	24,296	487,000	-	511,296
FUND BALANCES:				
Nonspendable				
Deposits	40,625			40,625
Restricted				
City Promotion			190,311	190,311
Library			1,498	1,498
Capital Projects		203,582		203,582
Assigned for City Promotion			118,600	118,600
Unassigned	1,908,246			1,908,246
	<u>1,948,871</u>	<u>203,582</u>	<u>310,409</u>	<u>2,462,862</u>
TOTAL FUND BALANCES	1,948,871	203,582	310,409	2,462,862
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,055,255	\$ 1,092,695	\$ 310,409	\$ 3,458,359

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

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MUNICIPALITY OF DELL RAPIDS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2014

Total Fund Balances - Governmental Funds \$ 2,462,862

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 8,963,618 ✓

Assets such as taxes receivable, special assessment receivables, and grants receivable are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes	\$	13,981	
Special Assessments		10,315 ✓	
Federal Grants		<u>487,000</u>	
			511,296 ✓

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	\$	<u>19,544</u>	
Total long-term liabilities			(19,544) ✓

Internal service funds are used by management to charge the cost of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

989,495 ✓

Net Position - Governmental Activities \$ 12,907,727

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

✓

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Library Building Fund	Nonmajor Funds	Governmental Funds
REVENUES:				
Taxes:				
General Property Taxes	\$ 957,206	\$ -	\$ -	\$ 957,206
General Sales and Use Taxes	937,431		50,065	987,496
Amusement Taxes	396			396
Penalties and Interest on Delinquent Taxes	731			731
Licenses and Permits	29,505			29,505
Intergovernmental Revenue	192,141			192,141
Charges for Goods and Services	60,734			60,734
Fines and Forfeits	2,914		2,250	5,164
Special Assessments	5,263		7,001	12,264
Investment Earnings	3,345	404	93	3,842
Contributions from Private Sources	35	49,853	1,098	50,986
Miscellaneous Revenue	36,490		35	36,525
TOTAL REVENUE	2,226,191	50,257	60,542	2,336,990
EXPENDITURES:				
Current:				
General Government	354,990			354,990
Public Safety	338,716			338,716
Public Works	431,102			431,102
Health and Welfare	48,594			48,594
Culture and Recreation	278,978	6,641	4,489	290,108
Conservation and Development	214,996		38,736	253,732
Capital Outlay	146,745	1,144,811		1,291,556
TOTAL EXPENDITURES	1,814,121	1,151,452	43,225	3,008,798
Excess of Revenue Over (Under) Expenditures	412,070	(1,101,195)	17,317	(671,808)
Other Financing Sources:				
Sale of Municipal Property			16	16
Transfer In	116,331	847,000		963,331
Transfer Out	(942,000)		(17,811)	(959,811)
Compensation for Losses	6,780			6,780
TOTAL OTHER FINANCING SOURCES (USES)	(818,889)	847,000	(17,795)	10,316
Net Changes in Fund Balance	(406,819)	(254,195)	(478)	(661,492)
Fund Balance - Beginning	2,355,690	457,777	310,887	3,124,354
FUND BALANCE - ENDING	\$ 1,948,871	\$ 203,582	\$ 310,409	\$ 2,462,862

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

MUNICIPALITY OF DELL RAPIDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014



Net Change in Fund Balances - Total Governmental Funds \$ (661,492)

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 1,291,556

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (299,618)

The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available". 4,167

Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises. (12,011)

Revenues in the statement of activities (grants receivable) that do not provide current financial resources are not reported as revenues in the funds. 487,000

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. 3,347

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 70,663

Change in Net Position of Governmental Activities \$ 883,612

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

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MUNICIPALITY OF DELL RAPIDS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds			Totals	Internal Service Fund
	Water Fund	Wastewater Fund	Liquor Fund		
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 1,151,623	\$ 936,229	\$ 183,243	\$ 2,271,095	\$ 650,925
Accounts Receivable, Net	42,120	46,770	107,780	196,670	
Due from Other Government		150,149		150,149	
Interest Receivable	405	277		682	
Total Current Assets	<u>1,194,148</u>	<u>1,133,425</u>	<u>291,023</u>	<u>2,618,596</u>	<u>650,925</u>
Noncurrent Assets:					
Capital Assets:					
Land	45,128	37,029	3,000	85,157	
Buildings	2,625,463	3,780,845	154,977	6,561,285	
Improvements Other than Buildings	1,715,342	2,111,830		3,827,172	
Machinery and Equipment	546,197	59,185	58,571	663,953	846,498
Construction Work in Progress	-	974,978		974,978	
Less: Accumulated Depreciation	<u>(1,607,391)</u>	<u>(1,284,727)</u>	<u>(198,556)</u>	<u>(3,090,674)</u>	<u>(507,928)</u>
Total Noncurrent Assets	<u>3,324,739</u>	<u>5,679,140</u>	<u>17,992</u>	<u>9,021,871</u>	<u>338,570</u>
TOTAL ASSETS	<u><u>\$ 4,518,887</u></u>	<u><u>\$ 6,812,565</u></u>	<u><u>\$ 309,015</u></u>	<u><u>\$ 11,640,467</u></u>	<u><u>\$ 989,495</u></u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 10,102	\$ 139,694	\$ 98,294	\$ 248,090	\$ -
Customer Deposits	5,460			5,460	
Accrued Interest Payable	29,543	38,004		67,547	
Accrued Wages Payable	6,442	6,329		12,771	
Accrued Taxes Payable	419	430		849	
Bonds Payable Current: Revenue	<u>97,771</u>	<u>142,326</u>		<u>240,097</u>	
Total Current Liabilities	<u>149,737</u>	<u>326,783</u>	<u>98,294</u>	<u>574,814</u>	<u>-</u>
Noncurrent Liabilities:					
Revenue Bonds Payable	1,625,877	3,765,275		5,391,152	
Accrued Leave Payable	18,958	18,958		37,916	
Total Noncurrent Liabilities	<u>1,644,835</u>	<u>3,784,233</u>	<u>-</u>	<u>5,429,068</u>	<u>-</u>
NET POSITION:					
Net Investment in Capital Assets	1,601,091	1,771,539	17,992	3,390,622	338,570
Restricted for:					
Revenue Bond Debt Service	112,988	198,486		311,474	
Unrestricted Net Position	<u>1,010,236</u>	<u>731,524</u>	<u>192,729</u>	<u>1,934,489</u>	<u>650,925</u>
Total Net Position	<u>2,724,315</u>	<u>2,701,549</u>	<u>210,721</u>	<u>5,636,585</u>	<u>989,495</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,518,887</u></u>	<u><u>\$ 6,812,565</u></u>	<u><u>\$ 309,015</u></u>	<u><u>\$ 11,640,467</u></u>	<u><u>\$ 989,495</u></u>

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

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MUNICIPALITY OF DELL RAPIDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds			Totals	Internal Service Fund
	Water Fund	Wastewater Fund	Liquor Fund		
Operating Revenue:					
Charges for Goods and Services	\$ 566,586	\$ 537,595	\$ 1,017,768	\$ 2,121,949	\$ 132,100
Lottery Sales			41,730	41,730	
Miscellaneous	9,253	43,051		52,304	
TOTAL OPERATING REVENUE	575,839	580,646	1,059,498	2,215,983	132,100
Operating Expenses:					
Personal Services	149,899	145,424		295,323	
Other Current Expense	97,557	102,182	3,026	202,765	
Materials	116,717		951,850	1,068,567	
Depreciation	112,483	116,373	3,239	232,095	63,164
TOTAL OPERATING EXPENSES	476,656	363,979	958,115	1,798,750	63,164
Operating Income (Loss)	99,183	216,667	101,383	417,233	68,936
Nonoperating Revenue (Expense):					
Investment Earnings	1,486	1,055	316	2,857	727
Rental Revenue	41,061		15,000	56,061	
Sale of Surplus Property	1,568			1,568	1,000
Interest Expense and Fiscal Charges	(58,498)	(98,650)		(157,148)	
Other	(4,296)	(16,381)		(20,677)	
TOTAL NONOPERATING REVENUE (EXPENSE)	(18,679)	(113,976)	15,316	(117,339)	1,727
Income (Loss) Before Contributions and Transfers	80,504	102,691	116,699	299,894	70,663
Capital Contributions	47,619	22,012		69,631	
Transfers In		95,000		95,000	
Transfers Out			(98,520)	(98,520)	
Change in Net Position	128,123	219,703	18,179	366,005	70,663
Net Position - Beginning	2,596,192	2,481,846	192,542	5,270,580	918,832
NET POSITION - ENDING	\$ 2,724,315	\$ 2,701,549	\$ 210,721	\$ 5,636,585	\$ 989,495

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Liquor Fund	Total	
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 695,119	\$ 562,864	\$ 1,170,375	\$ 2,428,358	\$ -
Payments to Employees for Services	(145,005)	(140,659)		(285,664)	
Payments to Suppliers of Goods and Services	(272,031)	(54,086)	(1,055,891)	(1,382,008)	
Receipts for Interfund Services Provided				-	132,100
Net Cash Provided (Used) by Operating Activities	<u>278,083</u>	<u>368,119</u>	<u>114,484</u>	<u>760,686</u>	<u>132,100</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to / from Other Funds	-	95,000	(98,520)	(3,520)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>95,000</u>	<u>(98,520)</u>	<u>(3,520)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Debt	52,829	1,007,254		1,060,083	
Purchase of Capital Assets	(3,452)	(999,150)		(1,002,602)	-
Principal Paid on Capital Debt	(78,101)	(121,407)		(199,508)	
Interest Paid on Capital Debt	(34,886)	(77,079)		(111,965)	
Other Receipts	38,333	5,632	15,000	58,965	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,277)</u>	<u>(184,750)</u>	<u>15,000</u>	<u>(195,027)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest Earnings	1,081	778	316	2,175	728
Net Cash Provided by Investing Activities	<u>1,081</u>	<u>778</u>	<u>316</u>	<u>2,175</u>	<u>728</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>253,887</u>	<u>279,147</u>	<u>31,280</u>	<u>564,314</u>	<u>132,828</u>
Cash and Cash Equivalents at Beginning of Year	<u>897,736</u>	<u>657,082</u>	<u>151,963</u>	<u>1,706,781</u>	<u>518,097</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,151,623</u>	<u>\$ 936,229</u>	<u>\$ 183,243</u>	<u>\$ 2,271,095</u>	<u>\$ 650,925</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 99,183	\$ 216,667	\$ 101,383	\$ 417,233	\$ 68,936
Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	112,483	116,373	3,240	232,096	63,164
Change in Assets and Liabilities:					
Receivables	1,378	1,008	110,877	113,263	
Due From Other Governments	117,852	(18,790)		99,062	
Customer Deposits	50			50	
Accounts and Other Payables	(57,757)	48,096	(101,016)	(110,677)	
Accrued Leave Payable	2,047	2,047		4,094	
Accrued Taxes Payable	419	414			
Accrued Wages Payable	2,428	2,304		4,732	
Net Cash Provided (Used) by Operating Activities	<u>\$ 278,083</u>	<u>\$ 368,119</u>	<u>\$ 114,484</u>	<u>\$ 760,686</u>	<u>\$ 132,100</u>
Noncash Investing, Capital and Financing Activities:					
Debt Forgiveness	<u>\$ 47,619</u>			<u>\$ 47,619</u>	

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity

The reporting entity of the Municipality of Dell Rapids, (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

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

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

The following Special Revenue funds of the Municipality are not considered major funds: Liquor, Lodging, and Dining Gross Receipts Tax Fund, and Library Fines Fund. These funds are reported on the fund financial statements as "Nonmajor Funds".

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

Special Assessment Debt Service – to account for the collection of special assessments, which may be used only to repay the special assessment bond. This is not a major fund.

Capital Project Funds – capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Library Building Capital Project Fund – to account for the financial resources to be used for the construction of the Dell Rapids Carnegie Public Library addition. This is a major fund.

Proprietary Funds:

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

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

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

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

Liquor Fund – financed primarily by the markup of liquor. The Municipality has entered into an operating lease agreement allowing the operator to operate an on-sale bar and an off-sale liquor store on the real property owned by the Municipality. The Municipality owns lottery machines maintained in the establishment. The lessee purchases all liquor from the Municipality at cost plus ten (10) percent. The operator pays the Municipality \$15,000 per year for the rent of the building and 65% of the video lottery profits. This is a major fund.

Internal Service Funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds consist of equipment purchases. Internal service funds are never considered to be major funds. The Equipment Replacement Fund is the only internal service fund maintained by the Municipality.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

period for the Municipality is 30 days. The revenues which are accrued at December 31, 2014 are sales taxes, property taxes, state shared revenues and miscellaneous other revenues.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so that expenses are reported only by the function to which they relate.

e. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificate of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Capital Assets

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

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

The total December 31, 2014 balance of governmental activities capital assets includes approximately 2.5 percent for which the costs were determined by estimates of the original costs. The total December 31, 2014 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	----N/A----	----N/A----
Improvements other than Buildings	\$ 15,000	Straight-line	20 yrs.
Water/Sewer Lines	\$ 25,000	Straight-line	50 yrs.
Roads	\$ 50,000	Straight-line	15-75 yrs.
Other Improvements	\$ 10,000	Straight-line	15-50 yrs.
Buildings	\$ 50,000	Straight-line	50 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of revenue bonds and compensated absences.

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

h. Program Revenues

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

k. Cash and Cash Equivalents

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

l. Equity Classifications

Government-wide Financial Statements:

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

3. 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.
4. 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.
5. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as prepaid expenses.
- Amount legally or contractually required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

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

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISION

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

The General Fund was over budget by \$177,996 in the Conservation and Development activity due to the City giving money to the Dell Rapids Economic Development Corporation in 2014.

The Municipality plans to address this violation by more closely monitoring the actual to budget amounts during the year.

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

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

Deposits - The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type. It is the Municipality's policy to deposit all interest revenue to the fund making the investment.

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

The actual bank balances at December 31, 2014 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 553,059
Uninsured, collateral jointly held by state's/Municipality's agent in the name of the state and the pledging financial institution.	4,579,305
Uninsured, uncollateralized	-
Total Deposits	\$ 5,132,364

The carrying amount of deposits on the December 31, 2014 Government-wide Statement of Net Position was \$5,291,403. The reconciliation of deposits to Government-wide Statement of Net Position is as follows:

Cash and cash equivalents	\$ 5,291,403
Carrying amount	5,291,403
Less Petty Cash	(150)
Less Lottery Cash	(10,000)
Add outstanding transactions	(148,889)
	\$ 5,132,364

Investments - In general, SDCL 4-5-6 permits Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. There were no investments held as of December 31, 2014.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has an investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality will minimize credit risk by limiting the portfolio to the types of investments that are authorized and suitable to diminish the impact of potential losses from any one type of investment or from any one issuer. As of December 31, 2014, the Municipality's deposits in financial institutions were fully insured or collateralized and were not exposed to custodial credit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2014, the Municipality does not have any investments.

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk – The Municipality requires Qualified Public Depositories to furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

Interest Rate Risk – The Municipality strives to maintain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is secondary compared to the safety and liquidity objectives.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year, except for the \$238,600 note receivable from the Dell Rapids Economic Development Corporation which is due by June 1, 2032. This note receivable is reported in the Gross Receipts Fund. No allowance has been made for estimated uncollectible amounts.

5. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Material supply inventories are recorded at cost.

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material supply inventory existed as of December 31, 2014.

6. PROPERTY TAXES

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

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

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2014 is as follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 970,390	\$ 32,674	\$ -	\$ 1,003,064
Construction Work in Progress	726,419	1,155,311	(545,101)	1,336,629
Total Capital Assets, Not Being Depreciated	<u>1,696,809</u>	<u>1,187,985</u>	<u>(545,101)</u>	<u>2,339,693</u>
Capital Assets, Being Depreciated				
Buildings & Structures	3,109,599	-	-	3,109,599
Improvements Other Than Buildings	4,169,595	617,234	-	4,786,829
Machinery and Equipment	2,038,450	31,436	-	2,069,886
Total Capital Assets, Being Depreciated	<u>9,317,644</u>	<u>648,670</u>	<u>-</u>	<u>9,966,314</u>
Less Accumulated Depreciation for:				
Buildings & Structures	(1,003,720)	(84,107)	-	(1,087,827)
Improvements Other Than Buildings	(520,660)	(164,489)	-	(685,149)
Machinery and Equipment	(1,116,657)	(114,186)	-	(1,230,843)
Total Accumulated Depreciation	<u>(2,641,037)</u>	<u>(362,782)</u>	<u>-</u>	<u>(3,003,819)</u>
Total Governmental Activities Capital Assets, Being Depreciated, Net	<u>6,676,607</u>	<u>285,888</u>	<u>-</u>	<u>6,962,495</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,373,416</u>	<u>\$ 1,473,873</u>	<u>\$ (545,101)</u>	<u>\$ 9,302,188</u>

Changes in capital assets as shown above include activities of the internal service fund. Purchases within the equipment replacement fund for the year ended December 31, 2014 were \$0-

Depreciation expense was charged to functions as follows:

	Balance 12/31/2014
Governmental Activities:	
General Government	\$ 16,165
Public Safety	31,096
Public Works	225,646
Culture & Recreation	89,875
Total Depreciation Expense - Governmental Activities	<u>\$ 362,782</u>

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Business-Type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 81,527	\$ 3,630	\$ -	\$ 85,157
Construction Work in Progress	1,724,730	974,978	(1,724,730)	974,978
Total Capital Assets, Not Being Depreciated	1,806,257	978,608	(1,724,730)	1,060,135
Capital Assets, Being Depreciated				
Buildings	6,561,285	-	-	6,561,285
Improvements Other Than Buildings	2,078,448	1,748,723	-	3,827,171
Machinery and Equipment	663,955	-	-	663,955
Total Capital Assets, Being Depreciated	9,303,688	1,748,723	-	11,052,411
Less Accumulated Depreciation for:				
Buildings	(2,246,205)	(128,583)	-	(2,374,788)
Improvements Other Than Buildings	(348,395)	(79,378)	-	(427,773)
Machinery and Equipment	(263,980)	(24,134)	-	(288,114)
Total Accumulated Depreciation	(2,858,580)	(232,095)	-	(3,090,675)
Total Business-Type Activity Capital Assets, Being Depreciated, Net	6,445,108	1,516,628	-	7,961,736
Business-Type Activity Capital Assets, Net	\$ 8,251,365	\$ 2,495,236	\$ (1,724,730)	\$ 9,021,871

Depreciation expense was charged to functions as follows:

	Balance 12/31/2014
Business-Type Activities:	
Water	\$ 112,483
Wastewater	116,373
Liquor	3,239
Total Depreciation Expense - Business-Type Activities	\$ 232,095

Construction Work in Progress at December 31, 2014 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2014	Committed	Required Future Financing
Library Building Project	\$ 1,600,000	\$ 1,336,629	\$ -	\$ -
Southeast Sanitary Sewer Project	1,200,000	974,978	-	-
Total	\$ 2,800,000	\$ 2,311,607	\$ -	\$ -

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

Primary Government:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Accrued Compensated Absences-Governmental Funds	22,890	19,423	(22,769)	19,544	-
Total Governmental Activity	22,890	19,423	(22,769)	19,544	-
Business-Type Activities:					
SRF 2003 Drinking Water	399,502		(29,515)	369,987	30,562
SRF 2006 Clean Water	417,269		(25,049)	392,220	25,873
SRF 2006 Drinking Water	118,745		(7,294)	111,451	7,534
SRF 2007 Clean Water	868,148		(44,749)	823,399	46,221
SRF 2009 Clean Water	824,841		(38,442)	786,399	39,707
SRF 2011 Drinking Water	412,799		(16,382)	396,417	16,879
SRF 2011 Clean Water	331,772		(13,167)	318,605	13,566
SRF 2012 Drinking Water	245,644		(24,909)	220,735	25,474
SRF 2013 Dringing Water	619,849	52,829	(47,620)	625,058	17,321
SRF 2013 Clean Water	579,724	32,276	-	612,000	16,960
SRF 2014 Clean Water	-	974,978		974,978	
Total Debt	4,818,293	1,060,083	(247,127)	5,631,249	240,097
Accrued Compensated Absences-Business-Type Funds	33,822	14,429	(10,335)	37,916	-
Total Business-Type Activities	4,852,115	1,074,512	(257,462)	5,669,165	240,097
TOTAL PRIMARY GOVERNMENT	\$ 4,875,005	\$ 1,093,935	\$ (280,231)	\$ 5,688,709	\$ 240,097

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

Debt payable at December 31, 2014 is comprised of the following:

State Revolving Fund (SRF) Loan 2003 Drinking Water:

Note dated April 30, 2003 including an interest rate of 3.5% per annum and a maturity date of January 15, 2025. Principal payments to be made by Water Fund. \$ 369,987

State Revolving Fund (SRF) Loan 2006 Clean Water:

Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of April 15, 2027. Principal payments to be made by Wastewater Fund. \$ 392,220

State Revolving Fund (SRF) Loan 2006 Drinking Water:

Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of January 15, 2027. Principal payments to be made by Water Fund. \$ 111,451

State Revolving Fund (SRF) Loan 2007 Clean Water:

Note dated December 2, 2008 including an interest rate of 3.25% per annum and a maturity date of January 15, 2029. Principal payments to be made by Wastewater Fund. \$ 823,399

State Revolving Fund (SRF) Loan 2009 Clean Water

Note dated January 15, 2010 with a maturity date of January 15, 2030 and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund. \$ 786,399

State Revolving Fund (SRF) Loan 2011 Drinking Water

Note dated April 15, 2011 with a maturity date of January 15, 2031 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. \$ 396,417

State Revolving Fund (SRF) Loan 2011 Clean Water

Note dated April 15, 2011 with a maturity date of October 15, 2032 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. \$ 318,605

State Revolving Fund (SRF) Loan 2012 Drinking Water

Note dated June 27, 2012 with a maturity date of October 15, 2022 and an interest rate of 2.25% per annum. Principal payments to be made by the Water Fund. \$ 220,735

State Revolving Fund (SRF) Loan 2013 Drinking Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. \$ 625,058

State Revolving Fund (SRF) Loan 2013 Clean Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. \$ 612,000

State Revolving Fund (SRF) Loan 2014 Clean Water

Note dated April 7, 2014 with payments starting on January 15, 2016, a maturity date of April 15, 2033, and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. \$ 974,978

Compensated Absences:

Accrued vacation and sick leave payable from the General Fund and Enterprise Funds \$ 57,460

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences but including interest payments of \$1,563,435 are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2014

Year Ending Dec. 31,	State Revolving Loans	
	Principal	Interest
2015	240,097	133,235
2016	307,279	166,670
2017	316,970	156,990
2018	326,876	147,083
2019	337,095	136,864
2020-2024	1,788,625	520,718
2025-2029	1,584,485	248,876
2030-2034	709,358	52,846
2035-2039	20,464	153
TOTAL	\$ 5,631,249	\$ 1,563,435

9. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014 were as follows:

	<u>Transfer To:</u>		
	<u>General Fund</u>	<u>Wastewater Fund</u>	<u>Capital Projects Fund</u>
<u>Transfer From:</u>			
General Fund		95,000	847,000
Liquor Fund	98,520		
Debt Service Fund	17,811		
	<u>\$ 116,331</u>	<u>\$ 95,000</u>	<u>\$ 847,000</u>

The transfers the Municipality budgeted for this year were for the Library Building construction project, closing of the Special Assessment Debt Service Fund, and excess Liquor revenue to the General Fund.

10. RETIREMENT PLAN:

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$32,792, \$31,913, and \$32,446, respectively, equal to the required contributions each year.

11. SIGNIFICANT CONTINGENCIES – LITIGATION:

At December 31, 2014, the Municipality was not involved in any litigation.

12. SUBSEQUENT EVENTS

At the August 17, 2015 City Council meeting, the Council approved a motion to forgive the \$238,600 loan to the Dell Rapids Economic Development Corporation. This loan forgiveness was contingent upon the Dell Rapids Economic Development Corporation completing a land exchange agreement. The Dell Rapids Economic Development Corporation was able to execute the land exchange agreement on November 3rd, 2015. This transaction will result in a decrease of receivables and an increase of expenses of \$238,600 in the Liquor, Lodging, and Dining Gross Receipts Tax Fund in 2015.

The Municipality has evaluated subsequent events to January 29, 2016, the date which the financial statements were available to be issued, and determined that no other events occurring subsequent to the end of the year merit recognition or disclosure in these statements.

13. RISK MANAGEMENT:

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2014, the Municipality managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE FINANCIAL STATEMENTS

premium to the pool to provide coverage for general liability, auto liability, property damage, and wrongful acts.

The agreement with the SDPAA provides that the above coverages will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2014, the Municipality has vested balance in the cumulative reserve fund of \$40,625.

The Municipality carries a \$500 deductible for wrongful acts coverage and \$500 deductible on a per item basis for building, contents, and equipment coverage.

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

Worker's Compensation

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits

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

During the year ended December 31, 2014 no claims for unemployment benefits were paid. At December 31, 2014 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DELL RAPIDS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
General Property Taxes	\$ 965,083	\$ 965,083	\$ 957,206	\$ (7,877)
General Sales and Use Taxes	775,000	775,000	937,431	162,431
Amusement Taxes	400	400	396	(4)
Penalties and Interest on Delinquent Taxes	1,000	1,000	731	(269)
Licenses and Permits	20,450	20,450	29,505	9,055
Intergovernmental Revenue:				
Federal Grants	24,053	24,053	24,400	347
State Grants	-	-	38,000	38,000
State Shared Revenue:				
Bank Franchise Tax	25,000	25,000	25,220	220
Motor Vehicle Commercial Prorate	2,000	2,000	2,959	959
Liquor Tax Reversion	17,000	17,000	20,604	3,604
Motor Vehicle Licenses (5%)	12,000	12,000	24,582	12,582
Local Government Highway and Bridge Fund	30,000	30,000	50,880	20,880
Other	2,500	2,500	-	(2,500)
County Shared Revenue:				
County Wheel Tax	4,000	4,000	5,496	1,496
Charges for Goods and Services:				
General Government	500	500	1,000	500
Sanitation	8,600	8,600	10,604	2,004
Culture and Recreation	41,600	41,600	32,870	(8,730)
Other	8,000	8,000	16,260	8,260
Fines and Forfeits:				
Court Fines and Costs	750	750	286	(464)
Parking Meter Fines	1,000	1,000	2,085	1,085
Other	300	300	543	243
Miscellaneous Revenue:				
Investment Earnings	3,000	3,000	3,345	345
Rentals	-	-	2,400	2,400
Special Assessments	9,195	9,195	5,263	(3,932)
Contributions and Donations from Private Sources	10,000	10,000	35	(9,965)
Other	12,050	12,050	34,090	22,040
Total Revenue	\$ 1,973,481	\$ 1,973,481	\$ 2,226,191	\$ 252,710

The notes to the required supplementary schedules are an integral part of this schedule.

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REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DELL RAPIDS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	\$ 48,836	\$ 48,836	\$ 44,536	\$ 4,300
Contingency	30,000	30,000	-	30,000
Amount Trasferred		(23,000)		(23,000)
Executive	161,550	161,550	147,162	14,388
Elections	1,300	1,300	-	1,300
Financial Administration	107,065	107,065	96,141	10,924
Other	95,350	95,350	75,047	20,303
Total General Government	444,101	421,101	362,886	58,215
Public Safety:				
Police	240,848	240,848	240,650	198
Fire	62,484	62,484	56,129	6,355
Protective Inspection	48,190	48,190	41,936	6,254
Total Public Safety	351,522	351,522	338,715	12,807
Public Works:				
Highways and Streets	1,310,614	1,310,614	429,772	880,842
Sanitation	9,304	9,304	5,611	3,693
Transit	45,000	45,000	44,524	476
Total Public Works	1,364,918	1,364,918	479,907	885,011
Health and Welfare:				
Health	3,598	6,598	6,825	(227)
Humane Society	2,300	2,300	1,770	530
Ambulance	40,000	40,000	40,000	-
Total Health and Welfare	45,898	48,898	48,595	303
Culture and Recreation:				
Recreation	122,283	122,283	86,863	35,420
Parks	113,304	123,304	127,567	(4,263)
Libraries	161,692	171,692	154,592	17,100
Total Culture and Recreation	397,279	417,279	369,022	48,257
Conservation and Development:				
Economic Development and Assistance	37,000	37,000	214,996	(177,996)
Total Expenditures	2,640,718	2,640,718	1,814,121	826,597
Excess of Revenue Over (Under) Expenditures	(667,237)	(667,237)	412,070	1,079,307
Other Financing Sources (Uses):				
Transfers In	98,520	98,520	116,331	17,811
Sale of Municipal Property	400,000	400,000	-	(400,000)
Compensation for Losses	-	-	6,780	6,780
Transfer Out	(95,000)	(455,000)	(942,000)	(487,000)
Total Other Financing Sources (Uses)	403,520	43,520	(818,889)	(862,409)
Net Changes in Fund Balances	(263,717)	(623,717)	(406,819)	216,898
Fund Balance Beginning	2,355,690	2,355,690	2,355,690	-
FUND BALANCE - ENDING	\$ 2,091,973	\$ 1,731,973	\$ 1,948,871	\$ 216,898

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MUNICIPALITY OF DELL RAPIDS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgets and Budgetary Accounting

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

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

2. GAAP / Budgetary Accounting Basis Differences

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

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CITY OF DELL RAPIDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures Amount FY 2014
US Department of Housing and Urban Development: Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants (Note 2)	14.251	N/A	\$ 487,000.00
Total US Department of Housing and Urban Development			<u>487,000.00</u>
US Department of Transportation: Other Programs: Indirect Federal Funding: SD Department of Transportation, Section 5311 Funds	20.509	N/A	23,027.40
Title III-B Funds	93.044	N/A	1,180.88
Total US Department of Transportation			<u>24,208.28</u>
US Environmental Protection Agency: SD Department of Environment and Natural Resources: Capitalization Grants for Clean Water State Revolving Funds (Federal Portion)	66.458	N/A	114,450.00
Grand Total			<u>\$ 625,658.28</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the city and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: This represents a major federal financial assistance program.