

**MUNICIPALITY OF CROOKS
CROOKS, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2014 TO DECEMBER 31, 2014

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF CROOKS

MUNICIPAL OFFICIALS
DECEMBER 31, 2014

MAYOR:

Kelly Finke

GOVERNING BOARD:

Chris Langloss, President
John Simon, Vice-President
Andrew Henning
Jeff Nelson

FINANCE OFFICER:

Linda D. Hunnel

ATTORNEY:

Rick Ramstad

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Crooks
Crooks, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Crooks, 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 June 9, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 9, 2015

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2014-001.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2014-001:

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

Criteria:

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

Condition:

The office personnel process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Recommendation:

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

Management's Response:

The Municipality of Crooks Mayor, Jamison Rounds, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Crooks, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Mayor and the Finance Officer on June 11, 2014.

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Crooks
Crooks, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Crooks, 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.

Unmodified 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, and each major fund of the Municipality of Crooks as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

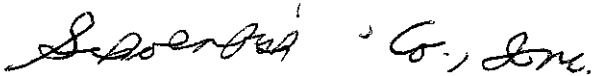
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, on pages 34 through 36 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 required 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2015 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
June 9, 2015

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57386

MUNICIPALITY OF CROOKS
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	260,482.72	1,387,935.20	1,648,417.92
Investments	17,729.61	30,000.00	47,729.61
Accounts Receivable, Net	2,621.12	132,556.97	135,178.09
Inventories		18,633.00	18,633.00
Restricted Assets:			
Cash and Cash Equivalents		83,000.00	83,000.00
Deposits	4,508.60		4,508.60
Capital Assets:			
Land	92,177.00	177,293.00	269,470.00
Other Capital Assets, Net of Depreciation	514,370.12	2,666,363.82	3,180,733.94
TOTAL ASSETS	891,889.17	4,495,781.99	5,387,671.16
LIABILITIES :			
Accounts Payable	2,782.93	67,345.60	70,128.53
Other Current Liabilities		38,888.71	38,888.71
Noncurrent Liabilities:			
Due Within One Year	9,853.02	177,453.42	187,306.44
Due in More than One Year	66,448.07	900,905.07	967,353.14
TOTAL LIABILITIES	79,084.02	1,184,592.80	1,263,676.82
NET POSITION:			
Net Investment in Capital Assets	530,668.74	1,768,498.25	2,299,166.99
Restricted for:			
Cumulative Insurance Reserve	4,508.60		4,508.60
Debt Service		83,000.00	83,000.00
Economic Development	5,236.50		5,236.50
Crossing Light/Pool	11,565.88		11,565.88
Unrestricted (Deficit)	260,825.43	1,459,690.94	1,720,516.37
TOTAL NET POSITION	812,805.15	3,311,189.19	4,123,994.34

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

MUNICIPALITY OF CROOKS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
General Government	90,513.38	30,952.40			(59,560.98)		(59,560.98)
Public Safety	74,067.20				(74,067.20)		(74,067.20)
Public Works	86,114.16	225.00	15,683.35	20,460.35	(49,745.46)		(49,745.46)
Health and Welfare	10,666.94		2,039.00		(8,627.94)		(8,627.94)
Culture and Recreation	127,096.93				(127,096.93)		(127,096.93)
Conservation and Development	1,875.00				(1,875.00)		(1,875.00)
Miscellaneous Expenditures		4,500.00			4,500.00		4,500.00
*Interest on Long-term Debt	4,094.67				(4,094.67)		(4,094.67)
Total Governmental Activities	394,428.28	35,677.40	17,722.35	20,460.35	(320,568.18)		(320,568.18)
Business-type Activities:							
Water	158,187.90	164,596.47				6,408.57	6,408.57
Sewer	109,957.42	128,002.81				18,045.39	18,045.39
Gas	788,910.76	1,004,568.32				215,657.56	215,657.56
Total Business-type Activities	1,057,056.08	1,297,167.60	0.00	0.00		240,111.52	240,111.52
Total Primary Government	1,451,484.36	1,332,845.00	17,722.35	20,460.35	(320,568.18)	240,111.52	(80,456.66)
General Revenues:							
Taxes:							
Property Taxes					199,831.79		199,831.79
Sales Taxes					142,485.63		142,485.63
State Shared Revenues					12,344.92		12,344.92
Unrestricted Investment Earnings					267.56	2,316.17	2,583.73
Miscellaneous Revenue					9,982.88		9,982.88
Total General Revenues					364,912.78	2,316.17	367,228.95
Change in Net Position					44,344.60	242,427.69	286,772.29
Net Position - Beginning					956,536.05	2,880,686.00	3,837,222.05
Adjustments:							
Correct Prior Recording of Water and Sewer Fund Cash					(188,075.50)	188,075.50	0.00
Adjusted Net Position-Beginning					768,460.55	3,068,761.50	3,837,222.05
NET POSITION - ENDING					812,805.15	3,311,189.19	4,123,994.34

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

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

**MUNICIPALITY OF CROOKS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014**

	General Fund	Entertainment Tax Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	255,246.02	5,236.70	260,482.72
Investments	17,729.61		17,729.61
Taxes Receivable--Delinquent	1,483.60		1,483.60
Special Assessment Receivable - Delinquent	1,137.52		1,137.52
Deposits	4,508.60		4,508.60
TOTAL ASSETS	280,105.35	5,236.70	285,342.05
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	2,782.93		2,782.93
Total Liabilities	2,782.93	0.00	2,782.93
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	1,483.60		1,483.60
Unavailable Revenue--Special Assessments	1,137.52		1,137.52
Total Deferred Inflows of Resources	2,621.12	0.00	2,621.12
Fund Balances:			
Nonspendable for Insurance Reserve	4,508.60		4,508.60
Restricted for Crossing Lights/Pool	11,565.88		11,565.88
Restricted for Economic Development		5,236.70	5,236.70
Committed for Ball Field Lights	6,163.73		6,163.73
Unassigned	252,463.09		252,463.09
Total Fund Balances	274,701.30	5,236.70	279,938.00
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	280,105.35	5,236.70	285,342.05

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

MUNICIPALITY OF CROOKS
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2014

Total Fund Balances - Governmental Funds	<u>279,938.00</u>
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>606,547.12</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(76,301.09)</u>
Assets such as taxes receivable (delinquent) and special assessments are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>2,621.12</u>
Net Position - Governmental Activities	<u><u>812,805.15</u></u>

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Entertainment Tax Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	200,133.02		200,133.02
General Sales and Use Taxes	134,557.71	7,927.92	142,485.63
Amusement Taxes	60.00		60.00
Penalties and Interest on Delinquent Taxes	433.17		433.17
Licenses and Permits	15,452.40		15,452.40
Intergovernmental Revenue:			
Federal Grants	2,039.00		2,039.00
State Shared Revenue:			
Bank Franchise Tax	8,176.89		8,176.89
Liquor Tax Reversion	4,168.03		4,168.03
Motor Vehicle Licenses	5,464.46		5,464.46
Local Government Highway and Bridge Fund	8,340.96		8,340.96
Other	656.32		656.32
County Shared Revenue:			
County Wheel Tax	1,221.61		1,221.61
Miscellaneous Revenue:			
Investment Earnings	267.56		267.56
Rentals	20,225.00		20,225.00
Maintenance Assessment	19,322.83		19,322.83
Other	9,982.88		9,982.88
Total Revenue	430,501.84	7,927.92	438,429.76
Expenditures:			
General Government:			
Legislative	6,991.15		6,991.15
Executive	5,028.83		5,028.83
Elections	144.13		144.13
Financial Administration	30,743.49	425.00	31,168.49
Other	41,314.17	3,840.00	45,154.17
Total General Government	84,221.77	4,265.00	88,486.77
Public Safety:			
Police	40,690.00		40,690.00
Fire	18,000.00		18,000.00
Protective Inspection	13,390.30		13,390.30
Total Public Safety	72,080.30	0.00	72,080.30

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Entertainment Tax Fund	Total Governmental Funds
Expenditures: (continued)			
Public Works:			
Highways and Streets	68,704.56		68,704.56
Total Public Works	68,704.56	0.00	68,704.56
Health and Welfare:			
Health	10,666.94		10,666.94
Total Health and Welfare	10,666.94	0.00	10,666.94
Culture and Recreation:			
Recreation		4,064.08	4,064.08
Parks	54,189.37		54,189.37
Total Culture and Recreation	54,189.37	4,064.08	58,253.45
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	1,875.00		1,875.00
Total Conservation and Development	1,875.00	0.00	1,875.00
Debt Service	16,944.10	0.00	16,944.10
Total Expenditures	308,682.04	8,329.08	317,011.12
Excess of Revenue Over (Under) Expenditures	121,819.80	(401.16)	121,418.64
Other Financing Sources:			
Sale of Municipal Property	11,660.00		11,660.00
Total Other Financing Sources	11,660.00	0.00	11,660.00
Net Change in Fund Balances	133,479.80	(401.16)	133,078.64
Fund Balance - Beginning	329,297.00	5,637.86	334,934.86
Adjustments:			
Correct Prior Recording of Water and Sewer Fund Cash	(188,075.50)		(188,075.50)
Adjusted Fund Balance - Beginning	141,221.50	5,637.86	146,859.36
FUND BALANCE - ENDING	274,701.30	5,236.70	279,938.00

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

MUNICIPALITY OF CROOKS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds 133,078.64

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

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. (43,869.88)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. (57,634.00)

Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 12,849.43

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". (794.40)

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. 1,137.52

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 employee earns leave credits. (422.71)

Change in Net Position of Governmental Activities 44,344.60

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

MUNICIPALITY OF CROOKS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	324,510.57	334,505.93	728,918.70	1,387,935.20
Investments	15,000.00	15,000.00		30,000.00
Accounts Receivable, Net	12,150.31	9,946.58	110,460.08	132,556.97
Inventory of Supplies	5,347.00	2,720.00	10,566.00	18,633.00
Total Current Assets	357,007.88	362,172.51	849,944.78	1,569,125.17
Noncurrent Assets:				
Restricted Cash and Cash Equivalents			83,000.00	83,000.00
Capital Assets:				
Land	2,000.00	175,293.00		177,293.00
Buildings	13,000.00			13,000.00
Improvements Other Than Buildings	1,375,093.00	705,487.00	1,743,771.87	3,824,351.87
Machinery and Equipment	62,469.00	38,082.00	87,522.00	188,073.00
Less: Accumulated Depreciation	(450,753.86)	(259,890.28)	(648,416.91)	(1,359,061.05)
Total Noncurrent Assets	1,001,808.14	658,971.72	1,265,876.96	2,926,656.82
TOTAL ASSETS	1,358,816.02	1,021,144.23	2,115,821.74	4,495,781.99
LIABILITIES:				
Current Liabilities:				
Accounts Payable	4,321.63	352.65	62,671.32	67,345.60
Notes Payable - Current	3,025.43			3,025.43
Customer Deposits	5,583.67	4,683.84	28,621.20	38,888.71
Bonds Payable Current:				
Revenue	13,303.08	17,924.99	140,000.00	171,228.07
Total Current Liabilities	26,233.81	22,961.48	231,292.52	280,487.81
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	112,749.55	322,633.73	435,000.00	870,383.28
Accrued Leave Payable	1,037.50	1,037.47	1,124.95	3,199.92
Other Long-Term Debt	30,521.79			30,521.79
Total Noncurrent Liabilities	144,308.84	323,671.20	436,124.95	904,104.99
TOTAL LIABILITIES	170,542.65	346,632.68	667,417.47	1,184,592.80
NET POSITION:				
Net Investment in Capital Assets	842,208.29	318,413.00	607,876.96	1,768,498.25
Restricted For:				
Revenue Bond Debt Service			83,000.00	83,000.00
Unrestricted Net Position	346,065.08	356,098.55	757,527.31	1,459,690.94
TOTAL NET POSITION	1,188,273.37	674,511.55	1,448,404.27	3,311,189.19

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	161,652.05	124,994.26	1,003,377.57	1,290,023.88
Miscellaneous	860.00	2,889.86	1,088.14	4,838.00
Total Operating Revenue	162,512.05	127,884.12	1,004,465.71	1,294,861.88
Operating Expenses:				
Personal Services	37,519.69	38,460.61	53,238.02	129,218.32
Other Current Expense	23,377.34	31,421.44	128,377.62	183,176.40
Materials (Cost of Goods Sold)	62,881.17		550,070.71	612,951.88
Depreciation	27,851.86	28,653.28	49,501.91	106,007.05
Total Operating Expenses	151,630.06	98,535.33	781,188.26	1,031,353.65
Operating Income (Loss)	10,881.99	29,348.79	223,277.45	263,508.23
Nonoperating Revenue (Expense):				
Investment Earnings	296.72	208.74	1,810.71	2,316.17
Interest Expense	(6,557.84)	(11,422.09)	(7,722.50)	(25,702.43)
Other	2,084.42	118.69	102.61	2,305.72
Total Nonoperating Revenue (Expense)	(4,176.70)	(11,094.66)	(5,809.18)	(21,080.54)
Change in Net Position	6,705.29	18,254.13	217,468.27	242,427.69
Net Position - Beginning	1,071,725.00	578,025.00	1,230,936.00	2,880,686.00
Adjustments:				
Correct Prior Recording of Water and Sewer Fund Cash	109,843.08	78,232.42		188,075.50
Adjusted Net Position - Beginning	1,181,568.08	656,257.42	1,230,936.00	3,068,761.50
NET POSITION - ENDING	1,188,273.37	674,511.55	1,448,404.27	3,311,189.19

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

MUNICIPALITY OF CROOKS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	159,002.53	122,504.86	1,029,483.69	1,310,991.08
Other Operating Cash Receipts	860.00	2,889.86	1,088.14	4,838.00
Cash Payments to Employees for Services	(36,482.19)	(37,423.14)	(52,113.07)	(126,018.40)
Cash Payments to Suppliers of Goods and Services	(87,742.79)	(30,826.34)	(697,956.88)	(816,526.01)
Other Operating Cash Payments				0.00
Net Cash Provided (Used) by Operating Activities	35,637.55	57,145.24	280,501.88	373,284.67
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(20,173.36)	(17,354.07)	(140,000.00)	(177,527.43)
Interest Paid on Capital Debt	(6,557.84)	(11,422.09)	(7,722.50)	(25,702.43)
Other Receipts (Payments)	2,084.42	118.69	102.61	2,305.72
Net Cash (Used) by Capital and Related Financing Activities	(24,646.78)	(28,657.47)	(147,619.89)	(200,924.14)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	296.72	208.74	1,810.71	2,316.17
Net Cash Provided by Investing Activities	296.72	208.74	1,810.71	2,316.17
Net Increase (Decrease) in Cash and Cash Equivalents	11,287.49	28,696.51	134,692.70	174,676.70
Balances - Beginning	218,380.00	242,577.00	677,226.00	1,138,183.00
Adjustment:				
Correct Prior Recording of Water and Sewer Fund Cash	109,843.08	78,232.42		188,075.50
Adjusted Beginning Balances	328,223.08	320,809.42	677,226.00	1,326,258.50
Balances - Ending	339,510.57	349,505.93	811,918.70	1,500,935.20
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	10,881.99	29,348.79	223,277.45	263,508.23
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	27,851.86	28,653.28	49,501.91	106,007.05
Change in Assets and Liabilities:				
Receivables	(308.19)	(148.24)	26,084.92	25,628.49
Inventories	(1,325.21)	573.37	(487.01)	(1,238.85)
Accounts and Other Payables	(159.07)	21.73	(19,021.54)	(19,158.88)
Accrued Leave	1,037.50	1,037.47	1,124.95	3,199.92
Customer Deposits	(2,341.33)	(2,341.16)	21.20	(4,661.29)
Net Cash Provided (Used) by Operating Activities	35,637.55	57,145.24	280,501.88	373,284.67

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Crooks (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 two major categories: governmental and proprietary. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

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

Entertainment Tax Fund – to account for the 3rd cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the city, land acquisition, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Crooks, the length of that cycle is 30 days.

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit for 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.

e. Capital Assets:

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

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

Government-Wide Statements

Capital assets are recorded at historical cost. 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 and business-type capital assets are all valued at original cost.

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 25,000.00	Straight-line	15-50 yrs.
Buildings	\$ 50,000.00	Straight-line	20-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	4-20 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 Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as deposit held in 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

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

	<u>Year Ended</u> <u>12/31/2014</u>
General Fund:	
<u>Activity</u>	
Executive	\$ 1,828.83
General Govt. - Other	\$ 4,439.17
Health	\$ 9,166.94
Parks	\$ 4,189.37
Debt Service	\$ 0.10
Economic Development & Assistance	\$ 1,875.00

The Municipal Council plans to take the following actions to address these violations: use supplemental budgets when legal authority allows.

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.

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

5. INVENTORY

Inventory in the enterprise funds consists of expendable supplies held for consumption. Supplies 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, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	72,000.00	20,177.00		92,177.00
Total, not being Depreciated	72,000.00	20,177.00	0.00	92,177.00
Capital Assets, being Depreciated:				
Buildings	554,932.00		(81,053.00)	473,879.00
Improvements Other Than Buildings	151,679.00			151,679.00
Machinery and Equipment	313,642.00			313,642.00
Total, being Depreciated	1,020,253.00	0.00	(81,053.00)	939,200.00
Less Accumulated Depreciation for:				
Buildings	(106,779.00)	(10,070.58)	3,242.00	(113,607.58)
Improvements Other Than Buildings	(75,424.00)	(6,981.23)		(82,405.23)
Machinery and Equipment	(201,999.00)	(26,818.07)		(228,817.07)
Total Accumulated Depreciation	(384,202.00)	(43,869.88)	3,242.00	(424,829.88)
Total Governmental Activities Capital Assets, being Depreciated, Net	636,051.00	(43,869.88)	(77,811.00)	514,370.12
Governmental Activity Capital Assets, Net	708,051.00	(23,692.88)	(77,811.00)	606,547.12

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	1,603.90
Public Safety	1,986.90
Public Works	17,409.60
Culture and Recreation	22,869.48
Total Depreciation Expense - Governmental Activities	43,869.88

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2014
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	177,293.00			177,293.00
Total, not being Depreciated	177,293.00	0.00	0.00	177,293.00
Capital Assets, being Depreciated:				
Buildings	13,000.00			13,000.00
Improvements Other Than Buildings	3,824,351.87			3,824,351.87
Machinery and Equipment	188,073.00			188,073.00
Total, being Depreciated	4,025,424.87	0.00	0.00	4,025,424.87
Less Accumulated Depreciation for:				
Buildings	(13,000.00)			(13,000.00)
Improvements Other Than Buildings	(1,114,022.00)	(89,525.55)		(1,203,547.55)
Machinery and Equipment	(126,032.00)	(16,481.50)		(142,513.50)
Total Accumulated Depreciation	(1,253,054.00)	(106,007.05)	0.00	(1,359,061.05)
Total Business-Type Activities Capital Assets, being Depreciated, Net	2,772,370.87	(106,007.05)	0.00	2,666,363.82
Business-Type Activity Capital Assets, Net	2,949,663.87	(106,007.05)	0.00	2,843,656.82

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	27,851.86
Electricity	28,653.28
Gas	49,501.91
Total Depreciation Expense - Business-Type Activities	106,007.05

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2014 is as follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/2014	Due Within One Year
Primary Government:					
Governmental Activities:					
Sales Tax Revenue					
Bonds - Series 2002	88,727.81		12,849.43	75,878.38	9,430.31
Total Debt	88,727.81	0.00	12,849.43	75,878.38	9,430.31
Accrued Compensated Absences-					
Governmental Funds	0.00	1,623.94	1,201.23	422.71	422.71
Total Governmental					
Activities	88,727.81	1,623.94	14,050.66	76,301.09	9,853.02
Business-Type Activities:					
2013 Gas Utility Revenue					
Refunding Bonds	715,000.00		140,000.00	575,000.00	140,000.00
Series 1999RD Water Utility Bonds	51,741.58		10,743.66	40,997.92	6,579.65
Series 2005 SRF Drinking Water #1	91,564.00		6,509.29	85,054.71	6,723.43
Series 2008 SRF Clean Water #1	357,912.79		17,354.07	340,558.72	17,924.99
Minnehaha County Rural Water	36,467.63		2,920.41	33,547.22	3,025.43
Total Debt	1,252,686.00	0.00	177,527.43	1,075,158.57	174,253.50
Accrued Compensated Absences-					
Business-Type Funds	0.00	8,383.84	5,183.92	3,199.92	3,199.92
Total Business-Type Activities	1,252,686.00	8,383.84	182,711.35	1,078,358.49	177,453.42
TOTAL PRIMARY GOVERNMENT	1,341,413.81	10,007.78	196,762.01	1,154,659.58	187,306.44

Compensated absences for governmental activities typically have been liquidated from the General Fund.

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

GOVERNMENTAL ACTIVITIES:

Revenue Tax Revenue Bonds – Series 2002:

Interest Rate of 5.0%,
Final Maturity October 2021,
Retired by the General Fund

\$ 75,878.38

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds:

Series 2013 Gas Utility Revenue Refunding Bonds:

Fixed Interest Rates of 0.7% to 1.5%,
Final Maturity April 1, 2018,
Payable from Gas Utility Fund \$ 575,000.00

Series 1999RD Water Utility Revenue Bonds:

Interest Rates of 5.0%,
Final Maturity August 2020,
Payable from Water Fund \$ 40,997.92

Series 2005 State Revolving Fund – Drinking Water # 1:

Interest Rates of 3.25%,
Final Maturity July 2025,
Payable from Water Fund \$ 85,054.71

Series 2008 State Revolving Fund – Clean Water # 1:

Interest Rates of 3.25%,
Final Maturity October 15, 2029,
Payable from Sewer Fund \$ 340,558.72

Other Debt:

Minnehaha County Rural Water Loan:

Interest Rates of 3.5%,
Final Maturity August 15, 2024,
Payable from Water Fund \$ 33,547.22

Compensated Absences:

Accrued Annual Leave and Benefits, Payment to be made by the
fund that the payroll expenditures are charged to.

General Fund	\$ 422.71
Water Fund	1,037.50
Sewer Fund	1,037.47
Gas Fund	1,124.95

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences but including interest payments of \$148,241.66, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2014

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2002		Series 2013 Gas Utility Revenue Refunding Bonds		Series 1999RD Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	9,430.31	3,481.69	140,000.00	6,427.50	6,579.65	1,894.15
2016	9,900.45	3,011.55	145,000.00	4,930.00	6,916.26	1,557.54
2017	10,394.02	2,517.98	145,000.00	3,190.00	7,270.10	1,203.70
2018	10,912.21	1,999.79	145,000.00	1,123.75	7,642.07	831.73
2019	11,456.23	1,455.77			8,159.10	314.70
2020-2024	23,785.16	962.84			4,430.74	68.64
2025-2029						
Totals	<u>75,878.38</u>	<u>13,429.62</u>	<u>575,000.00</u>	<u>15,671.25</u>	<u>40,997.92</u>	<u>5,870.46</u>

Year Ending December 31,	Series 2005 State Revolving Fund - Drinking Water # 1		Series 2008 State Revolving Fund - Clean Water # 1	
	Principal	Interest	Principal	Interest
2015	6,723.43	2,682.89	17,924.99	10,851.17
2016	6,944.62	2,461.70	18,514.69	10,261.47
2017	7,173.09	2,233.23	19,123.79	9,652.37
2018	7,409.06	1,997.26	19,752.93	9,023.23
2019	7,652.82	1,753.50	20,402.76	8,373.40
2020-2024	42,210.32	4,821.28	112,534.74	31,346.06
2025-2029	6,941.37	113.37	132,304.82	11,575.98
Totals	<u>85,054.71</u>	<u>16,063.23</u>	<u>340,558.72</u>	<u>91,083.68</u>

Year Ending December 31,	Minnehaha County Rural Water Loan		TOTALS	
	Principal	Interest	Principal	Interest
2015	3,025.43	1,150.45	183,683.81	26,487.85
2016	3,131.29	1,044.59	190,407.31	23,266.85
2017	3,246.84	929.04	192,207.84	19,726.32
2018	3,363.60	812.28	194,079.87	15,788.04
2019	3,484.55	691.33	51,155.46	12,588.70
2020-2024	17,295.51	1,495.73	200,256.47	38,694.55
2025-2029			139,246.19	11,689.35
Totals	<u>33,547.22</u>	<u>6,123.42</u>	<u>1,151,036.95</u>	<u>148,241.66</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2014 was as follows:

Major Funds:

General Fund - Cumulative Insurance Reserve	\$ 4,508.60
General Fund - Crossing Lights/Pool	11,565.88
Entertainment Tax Fund - Economic Development	5,236.70
Gas Fund - Debt Service	83,000.00
Total Restricted Net Position	<u>\$ 104,311.18</u>

These balances are restricted due to debt agreements and statutory requirements.

10. PRIOR PERIOD ADJUSTMENTS

The beginning balance adjustments are for cash reported in the General Fund which was water and sewer cash.

11. 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 provide 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 provision 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.

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 \$5,386.72, \$5,189.00, and \$4,822.00, respectively, equal to the required contributions each year.

12. SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTES TO THE FINANCIAL STATEMENTS(Continued)**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 period ended December 31, 2014, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$1,675,000 lifetime maximum payment per person.

The Municipality does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past two 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 premium to the pool to provide coverage for general liability, vehicle coverage, property and building coverage, errors and omissions of officials and employee coverage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 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 \$4,508.60.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The Municipality carries a \$500 deductible for the official's liability coverage and \$250/500 deductible for the vehicle coverage and building coverage and a \$250/500 deductible for the property and building 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 retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CROOKS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	199,847.00	199,847.00	200,133.02	286.02
General Sales and Use Taxes	135,500.00	135,500.00	134,557.71	(942.29)
Amusement Taxes	150.00	150.00	60.00	(90.00)
Penalties & Interest on Delinquent Taxes	0.00	0.00	433.17	433.17
Licenses and Permits	12,000.00	12,000.00	15,452.40	3,452.40
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	2,039.00	2,039.00
State Shared Revenue:				
Bank Franchise Tax	5,000.00	5,000.00	8,176.89	3,176.89
Liquor Tax Reversion	5,000.00	5,000.00	4,168.03	(831.97)
Motor Vehicle Licenses	4,800.00	4,800.00	5,464.46	664.46
Local Government Highway and Bridge Fund	10,500.00	10,500.00	8,340.96	(2,159.04)
Other	650.00	650.00	656.32	6.32
County Shared Revenue:				
County Wheel Tax	1,000.00	1,000.00	1,221.61	221.61
Fines and Forfeits:				
Animal Control Fines	2,000.00	2,000.00	0.00	(2,000.00)
Library	150.00	150.00	0.00	(150.00)
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	267.56	(1,732.44)
Rentals	18,200.00	18,200.00	20,225.00	2,025.00
Maintenance Assessments	19,297.00	19,297.00	19,322.83	25.83
Contributions and Donations from Private Sources	250.00	250.00	0.00	(250.00)
Other	13,400.00	13,400.00	9,982.88	(3,417.12)
Total Revenue	429,744.00	429,744.00	430,501.84	757.84
Expenditures:				
General Government:				
Legislative	17,000.00	17,000.00	6,991.15	10,008.85
Contingency	15,000.00	15,000.00		
Amount Transferred		(9,375.00)		5,625.00
Executive	3,200.00	3,200.00	5,028.83	(1,828.83)
Elections	1,500.00	1,500.00	144.13	1,355.87
Financial Administration	69,321.00	77,521.00	30,743.49	46,777.51
Other	29,000.00	36,875.00	41,314.17	(4,439.17)
Total General Government	135,021.00	141,721.00	84,221.77	57,499.23

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CROOKS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (Cont.):				
Public Safety:				
Police	40,690.00	40,690.00	40,690.00	0.00
Fire	20,000.00	20,000.00	18,000.00	2,000.00
Protective Inspection	19,000.00	23,100.00	13,390.30	9,709.70
Total Public Safety	79,690.00	83,790.00	72,080.30	11,709.70
Public Works:				
Highways and Streets	124,297.00	192,497.00	68,704.56	123,792.44
Total Public Works	124,297.00	192,497.00	68,704.56	123,792.44
Health and Welfare:				
Health	1,500.00	1,500.00	10,666.94	(9,166.94)
Total Health and Welfare	1,500.00	1,500.00	10,666.94	(9,166.94)
Culture and Recreation:				
Parks	50,000.00	50,000.00	54,189.37	(4,189.37)
Total Culture and Recreation	50,000.00	50,000.00	54,189.37	(4,189.37)
Debt Service	16,944.00	16,944.00	16,944.10	(0.10)
Conservation & Development:				
Economic Development and Assistance (Industrial Development)	0.00	0.00	1,875.00	(1,875.00)
Total Miscellaneous	0.00	0.00	1,875.00	(1,875.00)
Total Expenditures	407,452.00	486,452.00	308,682.04	177,769.96
Excess of Revenue Over (Under)				
 Expenditures	22,292.00	(56,708.00)	121,819.80	178,527.80
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	11,660.00	11,660.00
Total Other Financing Sources (Uses)	0.00	0.00	11,660.00	11,660.00
Net Change in Fund Balances	22,292.00	(56,708.00)	133,479.80	190,187.80
Fund Balance - Beginning	329,297.00	329,297.00	329,297.00	0.00
 Adjustments:				
Correct Prior Recording of Water and Sewer Fund Cash	0.00	0.00	(188,075.50)	(188,075.50)
Adjusted Fund Balance - Beginning	329,297.00	329,297.00	141,221.50	(188,075.50)
FUND BALANCE - ENDING	351,589.00	272,589.00	274,701.30	2,112.30

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CROOKS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ENTERTAINMENT TAX FUND
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	8,700.00	8,700.00	7,927.92	(772.08)
Total Revenue	8,700.00	8,700.00	7,927.92	(772.08)
Expenditures:				
General Government:				
Legislative	400.00	400.00	0.00	400.00
Financial Administration	500.00	500.00	425.00	75.00
Other	3,700.00	3,840.00	3,840.00	0.00
Total General Government	4,600.00	4,740.00	4,265.00	475.00
Culture and Recreation:				
Recreation	4,100.00	4,100.00	4,064.08	35.92
Total Culture and Recreation	4,100.00	4,100.00	4,064.08	35.92
Total Expenditures	8,700.00	8,840.00	8,329.08	510.92
Excess of Revenue Over (Under) Expenditures	0.00	(140.00)	(401.16)	(261.16)
Other Financing Sources (Uses):				
Transfers In	0.00	140.00	0.00	(140.00)
Total Other Financing Sources (Uses)	0.00	140.00	0.00	(140.00)
Net Change in Fund Balances	0.00	0.00	(401.16)	(401.16)
Fund Balance - Beginning	5,637.86	5,637.86	5,637.86	0.00
FUND BALANCE - ENDING	5,637.86	5,637.86	5,236.70	(401.16)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

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

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

The Municipality did not encumber any amounts at December 31, 2014.

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

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, 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.