

**CITY OF BRANDON**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2015**

**CITY OF BRANDON  
MUNICIPAL OFFICIALS  
DECEMBER 31, 2015**

Mayor

Larry Beesley

Governing Board

Mindy Hansen

Roger Brooks

Blaine Jones

Barb Fish

Jo Hausman

Jon McInerney

Finance Officer & Assistant City Administrator

Dennis Olson

City Administrator

Bryan Read

Attorney

Lisa Marso

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# QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Brandon  
Minnehaha County, 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 City of Brandon, South Dakota, as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

The City'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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 entity'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 entity'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 City of Brandon as of December 31, 2015 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.

## ***Emphasis of Matter***

### *Adoption of New Accounting Standard*

As described in the Notes to the Financial Statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the City has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Pension Schedules and the Budgetary Comparison Schedules listed in the Table of Contents 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements listed in the Table of Contents are presented for purposes of additional analysis and are 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 basic 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 August 22, 2016, on our consideration of the City of Brandon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.  
Certified Public Accountants

August 22, 2016

**City of Brandon**  
**305 Main Avenue**  
**PO Box 95**  
**Brandon, SD 57005**  
**(605) 582-6515**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of the City of Brandon’s annual financial report presents our discussion and analysis of the City of Brandon financial performance during the fiscal year ending December 31, 2015. Please read it in conjunction with the City of Brandon financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

During the year, the City of Brandon revenues generated from charges for services, taxes and other revenues of the governmental programs were \$4,098,935 more than the \$8,704,806 governmental and business-type program expenditures.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status of the City of Brandon.
2. The remaining statements are fund financial statements that focus on individual parts of Municipal government, reporting the Municipality’s operations in more detail than the government-wide statements.
  - A. The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - B. Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The City has four proprietary funds – the Water Fund, the Sewer Fund, the Golf Course Fund and the Electrical Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the City of Brandon’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**

Major Features of the City of Brandon’s Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that is not proprietary or fiduciary, such as finance office, police, fire and parks.	Activities the City operates similar to private businesses are the water, sewer and electric systems and the golf course.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Brandon’s net position and how they have changed. Net position – the difference between the City of Brandon’s assets and liabilities – is one way to measure the City of Brandon’s financial health or position.

1. Increases or decreases in the City of Brandon’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
2. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City of Brandon’s property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

1. Governmental Activities -- This category includes the most of the City of Brandon's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
2. Business-type Activities -- The City charges a fee to customers to help cover the costs of certain services it provides. The City of Brandon's water, sewer, golf course and electrical accounts are included here.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the City of Brandon's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

1. State Law requires some of the funds.
2. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

1. Governmental Funds – Most of the City of Brandon's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Brandon's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
2. Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City of Brandon's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Current and Other Assets	\$ 4,680,753	\$ 5,507,919	\$ 5,231,446	\$ 5,500,895	\$ 9,912,199	\$ 11,008,814
Capital Assets	19,589,308	21,398,546	17,765,993	18,658,523	37,355,301	40,057,069
Total Assets	<u>24,270,061</u>	<u>26,906,465</u>	<u>22,997,439</u>	<u>24,159,417</u>	<u>47,267,500</u>	<u>51,065,883</u>
Pension Related Deterred Outflows	-	622,507	-	194,110	-	816,617
Long-Term Debt						
Outstanding	4,942,323	4,434,789	1,305,420	1,072,412	6,247,743	5,507,202
Other Liabilities	132,869	129,780	233,438	281,956	366,307	411,736
Total Liabilities	<u>5,075,192</u>	<u>4,564,569</u>	<u>1,538,858</u>	<u>1,354,369</u>	<u>6,614,050</u>	<u>5,918,938</u>
Pension Related Deferred Inflows	-	521,044	-	162,472	-	683,516
Net Positon:						
Net Investment in Capital Assets	14,797,215	17,130,738	16,568,649	17,675,756	31,365,864	34,806,493
Restricted	2,196,851	3,750,312		152,524	2,196,851	3,902,836
Unrestricted	<u>2,200,803</u>	<u>1,562,310</u>	<u>4,889,932</u>	<u>5,008,407</u>	<u>7,090,735</u>	<u>6,570,716</u>
Total Net Position	<u>\$ 19,194,869</u>	<u>\$ 22,443,359</u>	<u>\$ 21,458,581</u>	<u>\$ 22,836,687</u>	<u>\$ 40,653,450</u>	<u>\$ 45,280,046</u>
Beginning Net Position	<u>\$ 17,588,908</u>	<u>\$ 19,597,105</u>	<u>\$ 20,019,094</u>	<u>\$ 21,584,006</u>	<u>\$ 37,608,002</u>	<u>\$ 41,181,111</u>
Increase (Decrease) in Net Positon	<u>\$ 1,605,961</u>	<u>\$ 2,846,254</u>	<u>\$ 1,439,487</u>	<u>\$ 1,252,681</u>	<u>\$ 3,045,448</u>	<u>\$ 4,098,935</u>
Percentage of Increase (Decrease) in Net Position	9.13%	14.52%	7.19%	5.80%	8.10%	9.95%

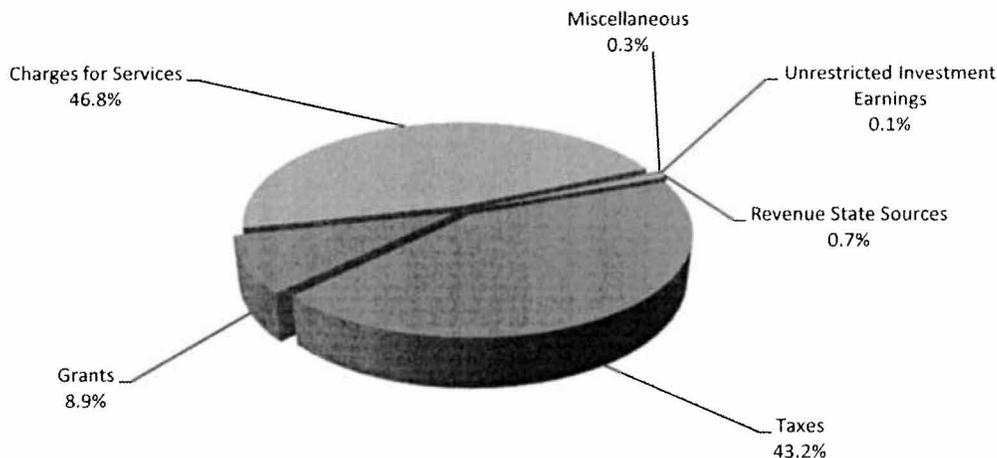
This section explains the differences between the current and prior years' assets, liabilities, and changes in net position.

The Statement of Net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable, sales tax revenue bonds payable, water and revenue bonds payable, and special assessment bonds with governmental commitment have been reported in this manner on the Statement of Net position. The difference between the City of Brandon's assets and liabilities is its net position.

**CHANGES IN NET POSITION**

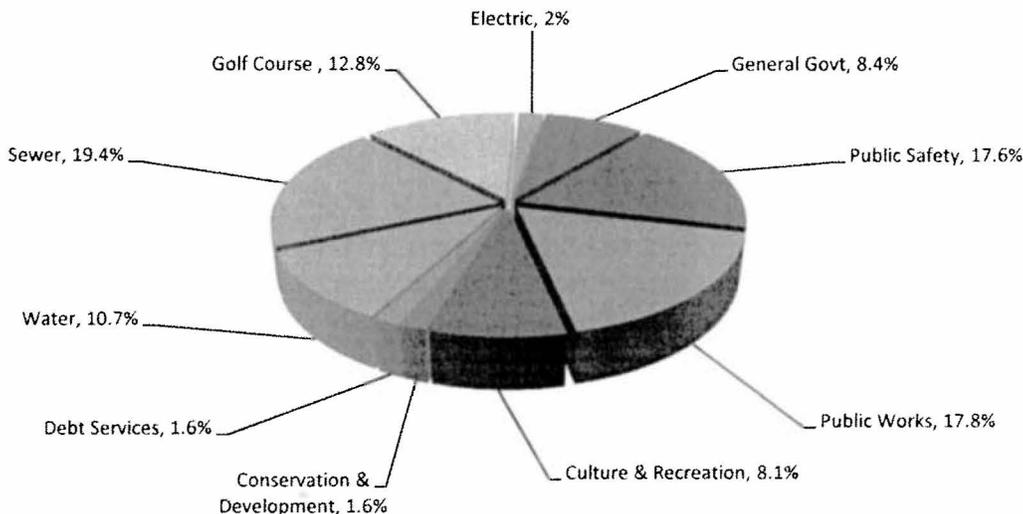
The City of Brandon’s total revenues (excluding special items) totaled \$12,793,858.34. (See Table A-2.) Most of the City of Brandon’s revenue comes from charges for services and taxes; with 46.8 cents of every dollar raised coming from charges for services and 43.2 cents of every dollar raised comes from some type of tax. (See Figure A-3). Another 8.9 cents come from operating and capital grants and contributions and the balance comes from unrestricted investment earnings, state shared revenue and miscellaneous.

**FIGURE A-3 SOURCE OF REVENUES**



The City of Brandon expenses cover a range of services with 10.7% from water services and 19.4% from sewer services, 12.8% from the golf course. The cost of Public Safety was 17.6% and Public Works was 17.8%. Culture and Recreation costs were 8.1%. General Government costs were 8.4% and debt service was 1.6%. Conservation and Development costs were 1.6% and the remaining balance of 2.0% was from the electric services. (See Figure A-4)

**FIGURE A-4 SOURCE OF EXPENSES**



**TABLE A-2  
CITY OF BRANDON  
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>REVENUE:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 808,826	\$ 962,980	\$ 4,847,658	\$ 5,025,409	\$ 5,656,484	\$ 5,988,389
Operating Grants and Contributions	121,997	1,131,880			121,997	1,131,880
Capital Grants and Contributions	44,720	9,531				9,531
<b>General Revenues:</b>						
Taxes	5,435,183	5,523,846			5,435,183	5,523,846
Revenue State Sources	72,710	86,675			72,710	86,675
Unrestricted Investment Earnings	9,618	11,212	1,802	2,539	11,420	13,751
Miscellaneous	18,686	22,731	20,241	17,055	38,927	39,786
<b>TOTAL REVENUES</b>	<b>6,511,740</b>	<b>7,748,855</b>	<b>4,869,701</b>	<b>5,045,003</b>	<b>11,381,441</b>	<b>12,793,858</b>
<b>EXPENSES:</b>						
General Government	754,115	731,086			754,115	731,086
Public Safety	1,522,322	1,531,907			1,522,322	1,531,907
Public Works	1,380,673	1,547,389			1,380,673	1,547,389
Health & Welfare	10,817	7,082			10,817	7,082
Culture and Recreation	720,555	695,203			720,555	695,203
Conservation & Development	339,120	140,575			339,120	140,575
Debt Services	148,229	141,432			148,229	141,432
Water Services			967,632	928,670	967,632	928,670
Sewer Services			1,322,975	1,689,194	1,322,975	1,689,194
Golf Course Services			1,107,211	1,109,907	1,107,211	1,109,907
Electric			126,724	182,363	126,724	182,363
<b>TOTAL EXPENSES</b>	<b>4,875,831</b>	<b>4,794,672</b>	<b>3,524,542</b>	<b>3,910,134</b>	<b>8,400,373</b>	<b>8,704,806</b>
Excess (deficiency) Before Special Items and Transfers	1,635,909	2,954,183	1,345,159	1,134,869	2,981,068	4,089,053
(Loss) Gain on Disposition of Assets	(1,776)	7,903	10,471	1,979	8,695	9,882
Special Item - Insurance Proceeds			55,685	-		-
Transfers	(28,172)	(115,833)	28,172	115,833		
Change in Net Position	1,605,961	2,846,254	1,439,487	1,252,681	2,989,763	4,098,935
Beginning Net Position	17,588,908	19,597,105	20,019,094	21,584,006	37,608,002	41,181,111
<b>NET POSITION-ENDING</b>	<b>\$ 19,194,869</b>	<b>\$ 22,443,359</b>	<b>\$ 21,458,581</b>	<b>\$ 22,836,687</b>	<b>\$ 40,653,450</b>	<b>\$ 45,280,046</b>

### FINANCIAL ANALYSIS OF THE CITY OF BRANDON FUNDS

The financial analysis of the City of Brandon funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains fourteen governmental funds – General Fund; Surface Transportation Program Fund; Street Main Fund; Sioux Blvd Capital Project; 3<sup>rd</sup> Cent Sales Tax; 2006 TIF #2(BID) Special Revenue Fund; Brandon Revolving Loan Fund; S.A Park St; S.A Chestnut Blvd; S.A Chestnut Middle Blvd; S.A. Express Ave/French Cr Lift; TIF #2 Convention Center Debt Service; S.A Country Club Drainage; TIF Hemlock Blvd Debt Service Fund. The City has four business type funds - Water; Sewer; Golf Course and Electrical.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget. This amendment was for contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

## CAPITAL ASSET ADMINISTRATION

By the end of 2015, the City had \$40,057,069 in a broad range of capital assets, including, land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$2,701,769 at a 7% increase over the last year.

**Table A-3**  
**Capital Assets**  
**(Net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2014	2015	2014	2015	Change	Change
Land	\$ 1,609,797	\$ 1,609,797	\$ 1,719,941	\$ 1,719,941	\$ -	0.00%
Buildings	3,281,358	3,230,345	2,564,761	2,469,983	(145,791)	-3%
Improv Other Than Building	13,673,353	13,095,348	12,569,995	12,935,534	(212,466)	-1%
Machinery & Equipment	906,952	954,707	732,352	841,042	156,446	9%
Construction in Progress	117,848	2,508,349	178,943	692,022	2,903,580	91%
Total Capital Assets (net)	<u>\$ 19,589,308</u>	<u>\$ 21,398,546</u>	<u>\$ 17,765,993</u>	<u>\$ 18,658,523</u>	<u>\$ 2,701,769</u>	<u>7%</u>

Below are some projects and purchases that were made in 2015:

New equipment was purchased which included: 2014 Jeep Patriot, 2015 Kubota RTV, two 2015 Chevrolet Silverado, 2015 Police Ford Explorer, 2012 Ford F350, 2015 Case Backhoe, 2016 Freightliner and a new Ferris 5100 Mower.

Parks received some new equipment and buildings. Pioneer Park finished up the installation of new playground equipment for a total of 77,933.60 and VanBuskirk Park started constructing a new shelter and bathroom building.

Streets were busy with a Micro Seal project done for a total cost of 148,849. Micro Seal Project is a project done every year as part of our street maintenance program. Another phase on Sylvan Cir/Custer Parkway was done to replace water/sewer/curb/gutter and street for a total of 749,948. This is a continual project and is done in phases each year. Sioux Blvd received a new mill and overlay and Aspen Blvd was reconstructed to finish up the ends of the street. Sioux/Aspen Blvd project was not quite completed but the cost at the end of 2015 was 2,459,641 which is the main reason of the large increase of construction in progress.

Enterprise funds stayed busy in 2015 as well. Design work and plans started for Well #7 and a new Lift Station. Projects are to be bid in early 2016. The golf course added new cart paths to hole #9, 12 and 13. A fundraiser was held for the cart paths and enough money was raised to cover all the expenses of the paths.

**LONG-TERM DEBT**

At the end of the year the City has \$5,507,201 in Sales Tax Revenue Bonds, Water Revenue Bonds and Sewer revenue Bonds and other long term obligations. This is a decrease of over 12% from the previous year as shown on Table A-4 below.

**Table A-4  
Outstanding Debt and Obligations  
(Net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
					Change	Change
	2014	2015	2014	2015	2014-2015	2014-2015
Compensated Absences	\$ 150,231	\$ 166,980	\$ 108,077	\$ 89,645	\$ (1,681)	-1%
Special Assessment Bonds	557,381	385,700			(171,681)	-31%
Sales Tax Revenue bonds	2,524,123	2,326,600			(197,523)	-8%
State Revolving Funds	224,554	190,707			(33,847)	-15%
Tax Increment Financing Bonds	1,486,036	1,364,802			(121,234)	-8%
Water Revenue bonds			319,434	213,010	(106,424)	-33%
Golf Course Revenue Certificates			877,910	769,757	(108,153)	-12%
<b>Total Outstanding Debt &amp; Obligations</b>	<u>\$ 4,942,323</u>	<u>\$ 4,434,789</u>	<u>\$ 1,305,420</u>	<u>\$ 1,072,412</u>	<u>\$ (740,542)</u>	<u>-12%</u>

The City of Brandon had a significant decrease in long-term debt, which was due to retiring over 738,860 dollars in debt and making no new additional debt in 2015.

**CERTIFICATES OF PARTICIPATION**

\$1,900,000 - **2001 Golf Course Certificates of Participation** issued to re-fund the addition of nine holes at the Brandon Municipal Golf Course and the construction of a clubhouse facility. Payment is over 20 years with principal payments starting at \$58,071 in 2002 to \$144,109 in 2021. The net interest cost is 2.05%. Payment will come from revenue from the Golf Course and are due June 1 and December 1 of each year and are taken automatically by the First National Bank Trust Department.

Principal balance, as of 12-31-15..... \$769,757

**REVENUE BONDS**

\$560,000.00 - **2005 Fire Hall Project** (Rural Development) to construct a new fire hall. Half is financed with Rural Development the other from the First National Bank. Payment is over thirty years with principal payments beginning at \$9,576 and interest payments beginning at \$23,800. The net interest cost is 4.25%. Payment will come from collections of sales tax revenue in the General Fund and are due October 12<sup>th</sup> of each year. Funds are taken automatically from the non interest savings account.

Principal balance, as of 12-31-15.....\$ 450,481

\$560,000 - **2005 Fire Hall Project** (First National Bank) to construct a new fire hall. Half is financed with Rural Development the other from the First National Bank. Payment is over thirty years with principal payments starting at \$4,118 in 2006 to \$16,697 in 2035. The net interest cost is 4.41%. Payment will come from collections of sales tax revenue in the General Fund and are due March 1<sup>st</sup> and September 1<sup>st</sup> of each year. Funds are taken automatically by the First National Bank Trust Department from the non interest savings account.

Principal balance, as of 12-31-15.....\$ 443,017

\$2,500,000 – **2007 Sales Tax Revenue Bond** to construct the Holly Blvd Project. Payment is due in annual installments of \$188,332 through 2023 at a 1.19% interest rate. These bonds are being retired with collections from proceeds of Sales Tax. Payments are due on March 1 and September 1 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-15..... \$ 1,433,102

\$585,000 – **2008 Stone Ridge Booster Station** to construct a booster station in the stone ridge development. Payments are due in annual installments of \$68,112 in 2009 and \$78,642 in 2010-2018 at a 6% interest rate. These bonds are being retired with Water funds revenue. Payments are due on March 1 and September 1 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-15..... \$ 213,010

### STATE REVOLVING LOAN

\$344,925 - **2010 Clean Water Revenue Borrower Bond (SRF) for Bethany Meadows Project** to construct a drainage way are due in quarterly payments of \$9,653.70 2011 through 2021 at a 2.25% interest rate. Payments will come from revenue from the Debt Retirement (Sales Tax) fund for drainage improvements. Payments are due on January 15, April 15, July 15, and October 15 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest checking account.

Principal balance, as of 12-31-15.....\$190,707

### SPECIAL ASSESSMENT BONDS

\$500,000 - **2006 Chestnut Boulevard Street Improvement Bonds** due in annual installments of \$61,750 through 2016 at a 5.05% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for curb, gutter and utility improvements to Chestnut Boulevard. Payments are due on March 1 and September 1 of each year. The City obligation is \$272,322 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-15.....\$ 60,000

\$550,000 – **2007 Chestnut Boulevard Street Improvement Bonds** due in annual installments of \$70,561 through 2017 at a 5% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for curb, gutter and utility improvements to Chestnut Boulevard. Payments are due on March 1 and September 1 of each year. The City obligation is \$236,096 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-15..... \$ 132,726

\$ 225,000 – **2008 NE Lift Station and Express Avenue Bonds** due in annual installments through 2018 at a 2.25% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds. Payments are due on March 1 and September 1 of each year. There is no city obligation on this bond. Funds are taken automatically by the First National Bank Trust Department from the non-interest checking account.

Principal balance, as of 12-31-15.....\$ 76,558

\$ 280,000 – **2009 Country Club Drainage Project** due in semi-annual installments of 15,858 the first year and 17,853 the following years through 2019 at a 3.61% interest rate. These bonds are being retired with collections from property owners through special assessment collections. Payments are due March 1 and September 1 of each year. The city obligation on this bond is 51,284 to be paid over 10 years. Funds are taken automatically by First National Bank from the non-interest checking account.

Principal balance, as of 12-31-15..... \$ 116,416

### **TAX INCREMENT BONDS**

\$1,377,900 - **2006 TIF #2 Note**-due in semi-annual installments of \$53,390.94 through 2025 at a 3.38% interest rate. These bonds are being retired with collections from a TIF #2 and a BID. This bond is for the construction of the Conference Center. Payments are due on March 1 and September 1 of each year.

Principal balance, as of 12-31-15..... \$861,523

\$750,000 – **2009 TIF #3** Tax Increment Revenue Bond due in annual installments of 67,996 thru 2024. Interest rate is at 4.10%. This bond was for construction of Hemlock Boulevard. Payments are due June 15 of each year.

Principal balance, as of 12-31-15.....\$503,279

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Brandon continued to experience additional revenues in property taxes from new construction with percentage growth of 4.56% in 2015. Under the state mandated property tax freeze, property taxes are 1.4% for 2015 which was based on the Consumer Price Index (CPI).

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The City has experienced a decrease in taxable sales of \$1,201.42 less than the prior year, less than 0.1%.

The City of Brandon has adopted a General Fund budget for the 2016 fiscal year which will have an increase of 1.44% in expenditures compared to 2015 for a total of \$5,424,543. This is due to normal increases in utilities, wages, benefits and an increase in debt in 2016.

## **CONTACTING THE CITY OF BRANDON FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Brandon's finances and to demonstrate the City of Brandon's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Brandon's Finance Office, PO Box 95-304 S Main Ave, Brandon, SD 57005.

**CITY OF BRANDON  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,697,362.27	\$ 3,857,902.57	\$ 7,555,264.84
Investments	755,436.37	776,132.54	1,531,568.91
Taxes Receivable	42,705.21		42,705.21
Special Assessment Receivable	398,554.93	1,001.21	399,556.14
Accounts Receivable	14,519.25	100.00	14,619.25
Utilities Receivable, Net		411,150.78	411,150.78
Notes Receivable	16,927.87		16,927.87
Due From Government	89,098.58		89,098.58
Internal Balances	(282,136.72)	282,136.72	
Inventories	30,655.57	57,651.86	88,307.43
Prepaid Expenses	441.75	2,705.00	3,146.75
Net Pension Asset	353,125.92	110,111.55	463,237.47
Restricted Assets:			
Restricted Deposits	35,276.56		35,276.56
Noncurrent Assets:			
Special Assessment Receivable	68,726.14	2,002.42	70,728.56
Notes Receivable	287,224.91		287,224.91
Capital Assets:			
Land and Construction in Progress	4,118,146.59	2,411,962.96	6,530,109.55
Other Capital Assets, Net of Depreciation	<u>17,280,399.86</u>	<u>16,246,559.86</u>	<u>33,526,959.72</u>
<b>TOTAL ASSETS</b>	<u>26,906,465.06</u>	<u>24,159,417.47</u>	<u>51,065,882.53</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	<u>622,506.97</u>	<u>194,109.80</u>	<u>816,616.77</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>622,506.97</u>	<u>194,109.80</u>	<u>816,616.77</u>
<b>LIABILITIES :</b>			
Accounts Payable	40,179.16	144,392.86	184,572.02
Other Current Liabilities	68,995.66	34,912.36	103,908.02
Unearned Revenue	20,605.00	102,651.22	123,256.22
Noncurrent Liabilities:			
Due Within One Year	584,263.89	202,713.95	786,977.84
Due in More than One Year	<u>3,850,525.33</u>	<u>869,698.54</u>	<u>4,720,223.87</u>
<b>TOTAL LIABILITIES</b>	<u>4,564,569.04</u>	<u>1,354,368.93</u>	<u>5,918,937.97</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	<u>521,044.06</u>	<u>162,471.69</u>	<u>683,515.75</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>521,044.06</u>	<u>162,471.69</u>	<u>683,515.75</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	17,130,737.56	17,675,755.79	34,806,493.35
Restricted for:			
Debt Service	354,858.86		354,858.86
Capital Improvement	2,209,009.20	10,774.42	2,219,783.62
Community Development	696,578.37		696,578.37
SDPAA Insurance Pool Contribution	35,276.56		35,276.56
SDRS Pension Purposes	454,588.83	141,749.66	596,338.49
Unrestricted	<u>1,562,309.55</u>	<u>5,008,406.78</u>	<u>6,570,716.33</u>
<b>TOTAL NET POSITION</b>	<u>\$ 22,443,358.93</u>	<u>\$ 22,836,686.65</u>	<u>\$ 45,280,045.58</u>

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

CITY OF BRANDON  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 731,085.57	\$ 113,556.75	\$	\$	\$ (617,528.82)	\$	\$ (617,528.82)
Public Safety	1,531,907.25	79,128.26		1,131.00	(1,451,647.99)		(1,451,647.99)
Public Works	1,547,388.55	503,713.55	1,131,880.17		88,205.17		88,205.17
Health and Welfare	7,081.81				(7,081.81)		(7,081.81)
Culture and Recreation	695,202.51	191,749.19		8,400.00	(495,053.32)		(495,053.32)
Conservation and Development	140,574.81	74,832.15			(65,742.66)		(65,742.66)
*Interest on Long Term Debt	141,431.51				(141,431.51)		(141,431.51)
Total Governmental Activities	<u>4,794,672.01</u>	<u>962,979.90</u>	<u>1,131,880.17</u>	<u>9,531.00</u>	<u>(2,690,280.94)</u>		<u>(2,690,280.94)</u>
Business-type Activities:							
Water	928,669.94	1,701,659.90				772,989.96	772,989.96
Sewer	1,689,193.66	2,019,185.95				329,992.29	329,992.29
Golf Course	1,109,906.84	1,170,803.81				60,896.97	60,896.97
Electric	182,363.24	133,759.10				(48,604.14)	(48,604.14)
Total Business-type Activities	<u>3,910,133.68</u>	<u>5,025,408.76</u>				<u>1,115,275.08</u>	<u>1,115,275.08</u>
Total Primary Government	<u>\$ 8,704,805.69</u>	<u>\$ 5,988,388.66</u>	<u>\$ 1,131,880.17</u>	<u>\$ 9,531.00</u>	<u>(2,690,280.94)</u>	<u>1,115,275.08</u>	<u>(1,575,005.86)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					2,440,120.16		2,440,120.16
Sales Taxes					3,025,617.32		3,025,617.32
Gross Receipts Business Tax					58,109.00		58,109.00
State Shared Revenues					86,674.76		86,674.76
Unrestricted Investment Earnings					11,212.01	2,539.20	13,751.21
Miscellaneous Revenue					22,731.06	17,055.00	39,786.06
Gain/(Loss) on Disposition of Assets					7,903.33	1,978.74	9,882.07
<b>Transfers In (Out)</b>					<u>(115,832.75)</u>	<u>115,832.75</u>	
Total General Revenues and Transfers					<u>5,536,534.89</u>	<u>137,405.69</u>	<u>5,673,940.58</u>
Change in Net Position					2,846,253.95	1,252,680.77	4,098,934.72
Net Position-Beginning					19,194,868.52	21,458,580.70	40,653,449.22
Prior Period Adjustment					402,236.46	125,425.18	527,661.64
Adjusted Net Position-Beginning					<u>19,597,104.98</u>	<u>21,584,005.88</u>	<u>41,181,110.86</u>
NET POSITION - ENDING					<u>\$ 22,443,358.93</u>	<u>\$ 22,836,686.65</u>	<u>\$ 45,280,045.58</u>

\* The City does not have interest expense related to 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

**CITY OF BRANDON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Surface Transportation Program Fund</u>	<u>Street Maintenance Fund</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,502,807.07	\$ 1,049,014.51	\$ 309,046.73
Taxes Receivable--Delinquent	42,705.21		
Accounts Receivable	11,193.25		
Special Assessments Receivable--Current	7,788.67		368,829.64
Special Assessments Receivable--Delinquent			5,092.30
Special Assessments Receivable--Deferred	46,732.02		
Notes Receivable-Current			
Notes Receivable-Noncurrent			
Restricted Deposits	35,276.56		
Due from Sioux Blvd Capital Projects Fund	2,475,806.34		
Due from Other Governments	82,372.83		
Inventory	30,655.57		
Investments	583,839.60	61.88	107.30
Prepaid Expenses	441.75		
<b>TOTAL ASSETS</b>	<u>\$ 4,819,618.87</u>	<u>\$ 1,049,076.39</u>	<u>\$ 683,075.97</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 40,179.16	\$	\$
Wages Payable	14,732.07		
Taxes Payable	2,145.08		
Due to General Fund			
Advances From Water Fund			
Unearned Revenue	20,605.00		
<b>Total Liabilities</b>	<u>77,661.31</u>		
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	42,705.21		
Unavailable Revenue--Special Assessments	54,520.69		373,921.94
Other Deferred Inflows of Resources	5,646.96		
<b>Total Deferred Inflows of Resources</b>	<u>102,872.86</u>		<u>373,921.94</u>
Fund Balances:			
Nonspendable	66,373.88		
Restricted		1,049,076.39	
Committed			309,154.03
Unassigned	4,572,710.82		
<b>Total Fund Balances</b>	<u>4,639,084.70</u>	<u>1,049,076.39</u>	<u>309,154.03</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,819,618.87</u>	<u>\$ 1,049,076.39</u>	<u>\$ 683,075.97</u>

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

CITY OF BRANDON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

Sioux Blvd Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$	\$ 836,493.96	\$ 3,697,362.27
		42,705.21
	3,326.00	14,519.25
	107,419.23	484,037.54
		5,092.30
	102,074.76	148,806.78
	16,927.87	16,927.87
	287,224.91	287,224.91
		35,276.56
		2,475,806.34
	6,725.75	89,098.58
		30,655.57
	171,427.59	755,436.37
		441.75
<u>\$</u>	<u>\$ 1,531,620.07</u>	<u>\$ 8,083,391.30</u>
\$	\$	\$ 40,179.16
		14,732.07
		2,145.08
2,475,806.34		2,475,806.34
	282,136.72	282,136.72
		20,605.00
<u>2,475,806.34</u>	<u>282,136.72</u>	<u>2,835,604.37</u>
		42,705.21
	209,493.99	637,936.62
		5,646.96
	<u>209,493.99</u>	<u>686,288.79</u>
		66,373.88
	1,318,800.08	2,367,876.47
		309,154.03
(2,475,806.34)	(278,810.72)	1,818,093.76
<u>(2,475,806.34)</u>	<u>1,039,989.36</u>	<u>4,561,498.14</u>
<u>\$</u>	<u>\$ 1,531,620.07</u>	<u>\$ 8,083,391.30</u>

**CITY OF BRANDON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds \$ 4,561,498.14

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Capital Assets	\$ 29,499,771.55	
Accumulated Depreciation	<u>(8,101,225.10)</u>	21,398,546.45

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(4,520,271.83)

Assets such as taxes receivable (delinquent) and special assessments receivable are not available to pay for current period expenditures and therefore are not currently available in the funds.

601,115.85

Accrued interest payable is not accounted for in the modified accrual basis of accounting, but is accounted for in the statement of net position.

(52,118.51)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

353,125.92

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

622,506.97

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds

(521,044.06)

Net Position - Governmental Funds \$22,443,358.93

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

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**CITY OF BRANDON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	<b>General Fund</b>	<b>Surface Transportation Program Fund</b>	<b>Street Maintenance Fund</b>
<b>Revenues:</b>			
Taxes:			
General Property Taxes	\$ 2,313,469.05	\$	\$
General Sales and Use Tax	2,815,216.11		
Gross Receipts Business Tax			
Amusement Taxes	924.00		
Penalties and Interest on Delinquent Taxes	3,383.10		
Licenses and Permits	103,420.00		
Intergovernmental Revenue:			
Federal Grants	72,672.80		
State Grants	11,363.00	1,048,975.37	
State Shared Revenue:			
Bank Franchise Tax	26,888.62		
Liquor Tax Reversion	54,627.95		
Motor Vehicle Licenses (5%)	46,196.40		
Local Government Highway and Bridge Fund	57,744.30		
Other	5,158.19		
County Shared Revenue:			
County Wheel Tax	9,535.54		
Charges for Goods and Services:			
General Government	3,900.00		
Public Safety	40,386.00		
Sanitation	17,434.85		
Culture and Recreation	187,275.15		
Other	73,165.07		
Fines and Forfeits:			
Court Fines and Costs	5,156.65		
Miscellaneous Revenue:			
Interest Income	3,275.16	101.02	156.94
Rentals	95.00		
Special Assessments	21,582.73		289,431.20
Contributions/Donations from Private Sources	8,400.00		
Other	22,636.06		
Total Revenue	5,903,905.73	1,049,076.39	289,588.14
<b>Expenditures:</b>			
General Government:			
Legislative	110,322.41		
Executive	212,623.33		
Financial Administration	221,409.91		
Other	48,440.26		
Total General Government	592,795.91		

CITY OF BRANDON  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015

	Sioux Blvd Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$		\$ 110,292.30	\$ 2,423,761.35
		210,401.21	3,025,617.32
		58,109.00	58,109.00
			924.00
			3,383.10
			103,420.00
			72,672.80
			1,060,338.37
			26,888.62
			54,627.95
			46,196.40
			57,744.30
			5,158.19
			9,535.54
			3,900.00
			40,386.00
			17,434.85
			187,275.15
			73,165.07
			5,156.65
		7,678.89	11,212.01
			95.00
		144,195.72	455,209.65
			8,400.00
			22,636.06
		<u>530,677.12</u>	<u>7,773,247.38</u>
			110,322.41
			212,623.33
			221,409.91
		96,463.58	144,903.84
		<u>96,463.58</u>	<u>689,259.49</u>

**CITY OF BRANDON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	General Fund	Surface Transportation Program Fund	Street Maintenance Fund
Public Safety:			
Police	1,115,688.06		
Fire	190,672.91		
Protective Inspection	133,828.06		
Other Protection	14,334.97		
Total Public Safety	<u>1,454,524.00</u>		
Public Works:			
Highways and Streets	690,606.94		214.22
Sanitation	5,048.86		
Transit	161,940.91		
Total Public Works	<u>857,596.71</u>		<u>214.22</u>
Health and Welfare:			
Health	7,081.81		
Total Health and Welfare	<u>7,081.81</u>		
Culture and Recreation:			
Recreation	142,545.84		
Parks	354,744.26		
Total Culture and Recreation	<u>497,290.10</u>		
Conservation and Development:			
Economic Development and Assistance	140,601.99		
Total Conservation and Development	<u>140,601.99</u>		
Debt Service	<u>394,933.79</u>		
Capital Outlay	<u>249,791.68</u>		<u>148,849.21</u>
Total Expenditures	<u>4,194,615.99</u>		<u>149,063.43</u>
Excess of Revenue Over (Under) Expenditures	<u>1,709,289.74</u>	<u>1,049,076.39</u>	<u>140,524.71</u>
Other Financing Sources (Uses):			
Transfer In			
Transfer (Out)	(148,772.43)		
Compensation for Loss/Damage to Capital Assets	5,162.51		
Sale of Municipal Property	65,012.33		
Total Other Financing Sources (Uses):	<u>(78,597.59)</u>		
Net Change in Fund balance	1,630,692.15	1,049,076.39	140,524.71
Net Change in Nonspendable Fund Balance	(4,205.90)		
Fund Balance - Beginning Balance	<u>3,012,598.45</u>		<u>168,629.32</u>
FUND BALANCE- ENDING	<u>\$4,639,084.70</u>	<u>\$1,049,076.39</u>	<u>\$309,154.03</u>

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

CITY OF BRANDON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

Sioux Blvd Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		1,115,688.06
		190,672.91
		133,828.06
		14,334.97
		1,454,524.00
		690,821.16
		5,048.86
		161,940.91
		857,810.93
		7,081.81
		7,081.81
		142,545.84
		354,744.26
		497,290.10
	10.00	140,611.99
	10.00	140,611.99
	368,255.29	763,189.08
2,459,641.62		2,858,282.51
2,459,641.62	464,728.87	7,268,049.91
(2,459,641.62)	65,948.25	505,197.47
	193,626.43	193,626.43
(9,325.80)	(151,360.95)	(309,459.18)
		5,162.51
		65,012.33
(9,325.80)	42,265.48	(45,657.91)
(2,468,967.42)	108,213.73	459,539.56
		(4,205.90)
(6,838.92)	931,775.63	4,106,164.48
\$(2,475,806.34)	\$ 1,039,989.36	\$4,561,498.14

**CITY OF BRANDON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION TO THE GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 459,539.56

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This was the amount by which capital outlay exceeded depreciation expense in the period.

Investment in Capital Assets	\$ 2,858,282.51	
Depreciation Expense	<u>(986,772.26)</u>	1,871,510.25

Governmental funds report revenues when they meet the available criteria. Because some revenues will not be collected for several months after the city's calendar year ends, they are not considered "available" revenues and are deferred in the governmental funds. (60,681.20)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 609,766.34

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued leave	(16,749.71)	
Change in inventory	<u>(4,205.90)</u>	(20,955.61)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in the amounts accrued. (3,006.25)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 52,352.37

In the statement of activities, gains and losses on disposal of assets is reported, whereas in the governmental funds, the proceeds and expenses from the disposal of fixed assets is reflected. The net amount of gains and losses is: (62,271.51)

Change in Net Position of Governmental Activities \$ 2,846,253.95

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

**CITY OF BRANDON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	<b>Enterprise Funds</b>				<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Golf Course Fund</b>	<b>Non Major Enterprise Fund</b>	
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,676,178.27	\$ 1,178,774.30	\$ 2,950.00	\$	\$ 3,857,902.57
Investments	592,735.08	183,397.46			776,132.54
Utilities Receivable, Net	155,260.12	239,709.87		16,180.79	411,150.78
Accounts Receivable			100.00		100.00
Special Assessments Receivable--Current		1,001.21			1,001.21
Due From Government					
Due from Other Funds					
Inventory of Supplies	8,448.22		17,240.00		25,688.22
Inventory of Stores Purchased for Resale			31,963.64		31,963.64
Prepaid Expense			2,705.00		2,705.00
<b>Total Current Assets</b>	<u>3,432,621.69</u>	<u>1,602,882.84</u>	<u>54,958.64</u>	<u>16,180.79</u>	<u>5,106,643.96</u>
Noncurrent Assets:					
Special Assessments Receivable--Deferred		2,002.42			2,002.42
Advances to TIF Hemlock	223,693.83				223,693.83
Advances to TIF Conv Ctr	319.65				319.65
Advances to 213 - BID	58,123.24				58,123.24
Net Pension Asset	48,130.37	25,153.80	36,827.38		110,111.55
Capital Assets:					
Land	83,986.18	381,304.99	1,254,649.93		1,719,941.10
Buildings	2,431,511.83	281,921.08	1,456,632.52		4,170,065.43
Improvements Other Than Buildings	8,769,274.35	9,082,794.94	873,023.08		18,725,092.37
Machinery and Equipment	1,401,288.29	694,766.85	594,185.13		2,690,240.27
Less: Accumulated Depreciation	(4,342,562.13)	(3,363,486.12)	(1,632,789.96)		(9,338,838.21)
Construction Work in Progress	426,626.86	265,395.00			692,021.86
<b>Total Noncurrent Assets</b>	<u>9,100,392.47</u>	<u>7,369,852.96</u>	<u>2,582,528.08</u>		<u>19,052,773.51</u>
<b>TOTAL ASSETS</b>	<u>12,533,014.16</u>	<u>8,972,735.80</u>	<u>2,637,486.72</u>	<u>16,180.79</u>	<u>24,159,417.47</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Deferred Outflows	84,846.48	44,342.28	64,921.04		194,109.80
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	55,015.59	83,951.70	4,369.46	1,056.11	144,392.86
Sales Tax Payable			4,625.08		4,625.08
Accrued Interest Payable	4,260.20		1,315.00		5,575.20
Accrued Wages Payable	2,551.49	1,158.19	18,057.48		21,767.16
Accrued Taxes Payable	335.81	158.09	2,451.02		2,944.92
Current Portion of Long Term Debt	75,187.42	5,374.97	122,151.56		202,713.95
Unearned Revenue	661.25		101,989.97		102,651.22
<b>Total Current Liabilities</b>	<u>138,011.76</u>	<u>90,642.95</u>	<u>254,959.57</u>	<u>1,056.11</u>	<u>484,670.39</u>
Noncurrent Liabilities:					
Long-Term Debt	171,173.74	16,123.00	682,401.80		869,698.54
<b>Total Noncurrent Liabilities</b>	<u>171,173.74</u>	<u>16,123.00</u>	<u>682,401.80</u>		<u>869,698.54</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	71,017.29	37,114.90	54,339.50		162,471.69
<b>NET POSITION:</b>					
Net Investment in Capital Assets	8,557,114.96	7,342,696.74	1,775,944.09		17,675,755.79
Restricted for SDRS Purposes	61,959.56	32,381.18	47,408.92		141,749.66
Restricted			10,774.42		10,774.42
Unrestricted Net Position	3,618,583.33	1,498,119.31	(123,420.54)	15,124.68	5,008,406.78
<b>Total Net Position</b>	<u>\$ 12,237,657.85</u>	<u>\$ 8,873,197.23</u>	<u>\$ 1,710,706.89</u>	<u>\$ 15,124.68</u>	<u>\$ 22,836,686.65</u>

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

**CITY OF BRANDON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
<b>Operating Revenue:</b>					
Charges for Goods and Services	\$	\$ 2,019,185.95	\$	\$ 133,759.10	\$ 2,152,945.05
(Revenues Securing Bond Issues)	1,701,659.90		1,170,803.81		2,872,463.71
Other Income	17,055.00				17,055.00
Total Operating Revenue	<u>1,718,714.90</u>	<u>2,019,185.95</u>	<u>1,170,803.81</u>	<u>133,759.10</u>	<u>5,042,463.76</u>
<b>Operating Expenses:</b>					
Personal Services	311,842.50	164,102.75	479,911.71		955,856.96
Other Current Expense	285,209.14	1,290,212.05	341,176.54	182,363.24	2,098,960.97
Materials (Cost of Goods Sold)			196,941.24		196,941.24
Depreciation	317,761.40	234,878.86	74,064.95		626,705.21
Total Operating Expenses	<u>914,813.04</u>	<u>1,689,193.66</u>	<u>1,092,094.44</u>	<u>182,363.24</u>	<u>3,878,464.38</u>
Operating Income (Loss)	<u>803,901.86</u>	<u>329,992.29</u>	<u>78,709.37</u>	<u>(48,604.14)</u>	<u>1,163,999.38</u>
<b>Nonoperating Revenue (Expense):</b>					
Investment Earnings	1,347.66	1,191.54			2,539.20
Interest Expense and Fiscal Charges	(13,856.90)		(17,812.40)		(31,669.30)
Gain (Loss) on Disposition of Assets	728.74		1,250.00		1,978.74
Total Nonoperating Revenue (Expense)	<u>(11,780.50)</u>	<u>1,191.54</u>	<u>(16,562.40)</u>		<u>(27,151.36)</u>
Income (Loss) Before Transfers and Special Items	792,121.36	331,183.83	62,146.97	(48,604.14)	1,136,848.02
Transfers In			67,039.09	48,793.66	115,832.75
Change in Net Position	<u>792,121.36</u>	<u>331,183.83</u>	<u>129,186.06</u>	<u>189.52</u>	<u>1,252,680.77</u>
Net Position - Beginning	11,390,712.45	8,513,361.36	1,539,571.73	14,935.16	21,458,580.70
Prior Period Adjustment	54,824.04	28,652.04	41,949.10		125,425.18
Net Position-Adjusted Beginning	<u>11,445,536.49</u>	<u>8,542,013.40</u>	<u>1,581,520.83</u>	<u>14,935.16</u>	<u>21,584,005.88</u>
NET POSITION - ENDING	<u>\$ 12,237,657.85</u>	<u>\$ 8,873,197.23</u>	<u>\$ 1,710,706.89</u>	<u>\$ 15,124.68</u>	<u>\$ 22,836,686.65</u>

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

**CITY OF BRANDON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
<b>CASH FLOWS FROM</b>					
<b>OPERATING ACTIVITIES:</b>					
Cash Receipts from Customers	\$ 1,674,919.37	\$ 1,988,486.49	\$ 1,162,282.27	\$ 133,300.27	\$ 4,958,988.40
Internal Activity-Receipts from Other Funds	23,506.48	27,151.82			50,658.30
Cash Payments to Employees for Services	(316,605.10)	(165,832.31)	(508,175.17)		(990,612.58)
Cash Payments to Suppliers of Goods and Services	(241,614.26)	(1,284,485.55)	(542,887.04)	(182,093.93)	(2,251,080.78)
Cash Payments for Interfund Services			(7,290.68)		(7,290.68)
Other Receipts (Payments)	17,055.00				17,055.00
Net Cash Provided (Used) by Operating Activities	<u>1,157,261.49</u>	<u>565,320.45</u>	<u>103,929.38</u>	<u>(48,793.66)</u>	<u>1,777,717.66</u>
<b>CASH FLOWS FROM NONCAPITAL</b>					
<b>FINANCING ACTIVITIES:</b>					
Interfund Loans	1,320,362.05				1,320,362.05
Operating Transfers In			67,039.09	48,793.66	115,832.75
Net Cash Provided (Used) by Operating Activities	<u>1,320,362.05</u>		<u>67,039.09</u>	<u>48,793.66</u>	<u>1,436,194.80</u>
<b>CASH FLOWS FROM CAPITAL AND</b>					
<b>RELATED FINANCING ACTIVITIES:</b>					
Purchase of Capital Assets	(760,589.19)	(712,393.00)	(46,252.78)		(1,519,234.97)
Principal Paid on Capital Debt	(106,423.56)		(108,153.29)		(214,576.85)
Sale of Surplus Property	728.74		1,250.00		1,978.74
Interest Paid on Capital Debt	(13,856.90)		(17,812.40)		(31,669.30)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(880,140.91)</u>	<u>(712,393.00)</u>	<u>(170,968.47)</u>		<u>(1,763,502.38)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of Investment Securities	(740.03)	(693.33)			(1,433.36)
Interest Earnings	1,347.66	1,191.54			2,539.20
Net Cash Provided (Used) by Investing Activities	<u>607.63</u>	<u>498.21</u>			<u>1,105.84</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 1,598,090.26</u>	<u>\$ (146,574.34)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,451,515.92</u>
Cash and Cash Equivalents at Beginning of Year	\$1,078,088.01	\$ 1,325,348.64	\$ 2,950.00	\$	\$ 2,406,386.65
Cash and Cash Equivalents at End of Year	<u>2,676,178.27</u>	<u>1,178,774.30</u>	<u>2,950.00</u>		<u>3,857,902.57</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 1,598,090.26</u>	<u>\$ (146,574.34)</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>\$ 1,451,515.92</u>

CITY OF BRANDON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2015  
(continued)

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 803,901.86	\$ 329,992.29	\$ 78,709.37	\$ (48,604.14)	\$ 1,163,999.38
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Prior Period Adjustment	54,824.04	28,652.04	41,949.10		125,425.18
Depreciation Expense	317,761.40	234,878.86	74,064.95		626,705.21
Change in Assets and Liabilities:					
Receivables	(3,234.05)	(3,547.64)	1,254.18	(458.83)	(5,986.34)
Inventories	(595.30)		(20,058.45)		(20,653.75)
Prepaid Expense			(110.00)		(110.00)
Net Pension Asset	(48,130.37)	(25,153.80)	(36,827.38)		(110,111.55)
Pension Related Deferred Outflows	(84,846.48)	(44,342.28)	(64,921.04)		(194,109.80)
Accounts and Other Payables	44,190.18	5,726.50	8,108.51	269.31	58,294.50
Accrued Leave Payable	2,372.92	1,999.58	(22,803.64)		(18,431.14)
Pension Related Deferred Inflows	71,017.29	37,114.90	54,339.50		162,471.69
Unearned Revenue			(9,775.72)		(9,775.72)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,157,261.49</u>	<u>\$ 565,320.45</u>	<u>\$ 103,929.38</u>	<u>\$ (48,793.66)</u>	<u>\$ 1,777,717.66</u>

CITY OF BRANDON  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – Summary of Significant Accounting Policies**

a. Financial Reporting Entity

The reporting entity of the City of Brandon 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 City and for each function of the City'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 City or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

### **GOVERNMENTAL FUNDS**

*General Fund* - The General Fund is the general operating fund of the city. 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 that are legally restricted to expenditures for specified purposes other than debt service or capital projects.

Maintenance Fund - to account for special assessment taxes which may be used only for Improvements to public streets. This is a major fund.

Surface Transportation Program Fund - to account for special assessment taxes which may be used only for highway and bridge construction, maintenance and repairs. This is a major fund.

The following Special Revenue Funds are not considered major funds: Third Cent Sales Tax Fund, 2006 TIF Special Revenue Fund and the Brandon Revolving Loan Fund. These funds are reported on the fund financial statements as "Other Governmental Funds" and are detailed in the combining statement section.

*Debt Service Funds* - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The following Debt Service Funds are not considered major funds: Tax Increment District, Park Street Special Assessment, Chestnut Boulevard Special Assessment, Chestnut Boulevard Middle Special Assessment, Express Avenue/French Creek Special Assessment, TIF Convention Center Debt Service Fund, Country Club (CC) Heights Debt Service Fund, and TIF Hemlock Blvd. Debt Service. These funds are reported on the fund financial statements as "Other Governmental Funds" and are detailed in the combining statement section.

*Capital Projects Funds* – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The Sioux Blvd Capital Project Fund is considered to be a major fund.

The Aspen Capital Project Fund is not considered to be a major fund: This fund is reported on the fund financial statements as part of "Other Governmental Funds" and is detailed in the combining statement section.

### **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 City 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 City sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Golf Course Fund - financed by user charges, this fund accounts for the operations of the golf course services. This is a major fund.

Electric Fund - financed by user charges, this fund accounts for the operations of electric services. This is not a major fund.

**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 funds, 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 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 City of Brandon, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2015 are taxes and special assessments receivable, amounts due from other governments, and other receivables due within 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 inflows of resources 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 fund types 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:

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.

#### e. Deposits and Investments:

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

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

#### 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 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 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, 2015 balance of governmental activities capital assets includes approximately 6.4% for which the costs were determined by estimates of original costs. The total of December 31, 2015 balance of business-type capital assets includes approximately 4.9% for which the costs were determined by estimates of original costs. These estimated 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 City. 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:

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	All	NA	NA
Improvements other than buildings	\$ 5,000.00	Straight Line	25-75 yrs
Buildings	25,000.00	Straight Line	25-75 yrs
Machinery and Equipment	5,000.00	Straight Line	7-10 yrs
Furniture	5,000.00	Straight Line	7-10 yrs
Infrastructure	All	Straight Line	25-75 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.

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 statements. The long-term liabilities primarily consist of state revolving loans, certificates of participation, revenue bonds, special assessment bonds, notes payable, financing (capital acquisition) leases and compensated absences.

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

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City'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.

k. Cash and Cash Equivalents:

The City 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 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 does not meet the definition of "restricted" or "net investment in capital assets".

*Fund Financial Statements:*

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

m. Application of Net Position:

It is the City'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 positions 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 City 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 City Council.



In the future, the Governing Board plans to transfer money from the General Fund to correct negative fund balances.

**NOTE 3 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a 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 City 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 City, as discussed above. The City has no investment policy that would further limit its investment choices.

Interest Rate Risk - The City 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.

Concentration of Investment -The City places no limit on the amount that may be invested in any one issuer.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

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 City's policy is to credit all income from deposits and investments to the fund making the investment.

**NOTE 4 - Receivables and Payables**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$287,224.91 of receivables related to economic development loans to qualifying businesses reported in the General Fund. This is a summary of Economic Development Loans receivable as of December 31, 2015:

Year Ended Dec 31,	R & T Unit Can	Corson Village	Marman Energy	Total
	2011	2011	2014	
	Revolving Loan Fund	Revolving Loan Fund	Revolving Loan Fund	
2016	\$ 6,180.11	\$ 94.21	\$ 10,653.55	\$ 16,927.87
2017	6,368.08		10,868.61	17,236.69
2018	6,561.77		11,087.95	17,649.72
2019	6,761.35		11,311.79	18,073.14
2020	6,967.01		11,540.09	18,507.10
Thereafter	<u>40,207.33</u>		<u>175,550.93</u>	<u>215,758.26</u>
Total	<u>\$ 73,045.65</u>	<u>\$ 94.21</u>	<u>\$ 231,012.92</u>	<u>\$ 304,152.78</u>

**NOTE 5 - Inventory**

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

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

*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 an 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.

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

## **NOTE 7 – Changes in General Capital Assets**

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

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 1,609,797.48	\$	\$	\$ 1,609,797.48
Construction Work in Progress	117,848.31	2,514,079.50	(123,578.70)	2,508,349.11
<b>Total Capital Assets, not being Depreciated</b>	<u>1,727,645.79</u>	<u>2,514,079.50</u>	<u>(123,578.70)</u>	<u>4,118,146.59</u>
Capital Assets, being Depreciated:				
Buildings	4,328,752.70	45,645.10	(789.24)	4,373,608.56
Improvements Other than Buildings	18,725,224.97	160,019.01	(9,919.10)	18,875,324.88
Machinery and Equipment*	2,176,213.04	313,728.60	(357,250.12)	2,132,691.52
<b>TOTAL</b>	<u>25,230,190.71</u>	<u>519,392.71</u>	<u>(367,958.46)</u>	<u>25,381,624.96</u>
Less Accumulated Depreciation for:				
Buildings	1,047,394.22	96,658.79	(789.24)	1,143,263.77
Improvements Other Than Buildings	5,051,872.62	738,023.78	(9,919.10)	5,779,977.30
Machinery and Equipment	1,269,261.95	152,089.69	(243,367.61)	1,177,984.03
<b>Total Accumulated Depreciation</b>	<u>7,368,528.79</u>	<u>986,772.26</u>	<u>(254,075.95)</u>	<u>8,101,225.10</u>
<b>Total Governmental Activities Capital Assets being Depreciated, Net</b>	<u>17,861,661.92</u>	<u>(467,379.55)</u>	<u>(113,882.51)</u>	<u>17,280,399.86</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 19,589,307.71</b></u>	<u><b>\$ 2,046,699.95</b></u>	<u><b>\$ (237,461.21)</b></u>	<u><b>\$ 21,398,546.45</b></u>

Depreciation Expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 25,205.97
Public Safety	78,081.13
Public Works	685,479.79
Culture and Recreation	198,005.37
<b>Total Depreciation Expense-Governmental Activities</b>	<u><b>\$ 986,772.26</b></u>

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 1,719,941.10	\$	\$	\$ 1,719,941.10
CWIP	178,943.07	1,265,613.35	(752,534.56)	692,021.86
<b>Total Capital Assets, not being Depreciated</b>	<b>1,898,884.17</b>	<b>1,265,613.35</b>	<b>(752,534.56)</b>	<b>2,411,962.96</b>
Capital Assets, being Depreciated:				
Buildings	4,170,065.43			4,170,065.43
Improvements Other than Buildings	17,951,841.93	773,250.44		18,725,092.37
Machinery and Equipment	2,496,525.32	232,905.74	(39,190.79)	2,690,240.27
<b>TOTAL</b>	<b>24,618,432.68</b>	<b>1,006,156.18</b>	<b>(39,190.79)</b>	<b>25,585,398.07</b>
Less Accumulated Depreciation for:				
Buildings	1,605,304.31	94,777.69		1,700,082.00
Improvements Other Than Buildings	5,381,846.50	407,711.63		5,789,558.13
Machinery and Equipment	1,764,172.98	124,215.89	(39,190.79)	1,849,198.08
<b>Total Accumulated Depreciation</b>	<b>8,751,323.79</b>	<b>626,705.21</b>	<b>(39,190.79)</b>	<b>9,338,838.21</b>
<b>Total Business-Type Activities Capital Assets being Depreciated, Net</b>	<b>15,867,108.89</b>	<b>379,450.97</b>		<b>16,246,559.86</b>
<b>Business-Type Activity Capital Assets, Net</b>	<b>\$ 17,765,993.06</b>	<b>\$ 1,645,064.32</b>	<b>\$ (752,534.56)</b>	<b>\$ 18,658,522.82</b>

Depreciation Expense was charged to functions as follows:

Business-Type Activities:

Water	\$ 317,761.40
Sewer	234,878.86
Golf Course	74,064.95
<b>Total Depreciation Expense-Business-Type Activities</b>	<b>\$ 626,705.21</b>

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

Project Name	Project Authorization	Expended through 12/31/15	Committed
<b>Governmental Activities:</b>			
Sioux Blvd & Aspen Blvd	\$ 3,110,000.00	\$ 2,475,806.34	\$ 634,193.66
Van Buskirk Park Shelter	50,000.00	29,429.17	20,570.83
Sunrise Addition/Bethany Ped Trail	100,000.00	3,113.60	96,886.40
<b>Total Governmental Activities</b>	<b>3,260,000.00</b>	<b>2,508,349.11</b>	<b>751,650.89</b>
<b>Business-Type Activities:</b>			
Water Source Improvements - Wells	3,862,000.00	409,424.46	3,452,575.54
Water Towers	7,585,000.00	17,202.40	7,567,797.60
WW Treatment Facility/Lift Station	2,852,000.00	265,395.00	2,586,605.00
<b>Total Business-Type Activities</b>	<b>14,299,000.00</b>	<b>692,021.86</b>	<b>13,606,978.14</b>
<b>Total Governmental and Business-Type Activities</b>	<b>\$ 17,559,000.00</b>	<b>\$ 3,200,370.97</b>	<b>\$ 14,358,629.03</b>

**NOTE 8 – Changes in Long-term Debt**

A summary of the changes in long-term debt for the year ended December 31, 2015 is as follows:

	1/1/2015 Beginning Balance	Additions	Retired	12/31/2015 Ending Balance	Due within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable - Revenue	\$ 2,524,122.52	\$	\$ 197,522.56	\$ 2,326,599.96	\$ 200,757.38
State Revolving Funds	224,553.81		33,846.58	190,707.23	34,614.58
Note Payable	1,486,035.63		121,233.62	1,364,802.01	125,680.53
Special Assessments:	557,380.66		171,680.97	385,699.69	181,466.07
Accrued Compensated Absences- Governmental Funds	150,230.62	166,980.33	150,230.62	166,980.33	41,745.33
<b>Total Governmental Activities</b>	<b>4,942,323.24</b>	<b>166,980.33</b>	<b>674,514.35</b>	<b>4,434,789.22</b>	<b>584,263.89</b>
<b>Business-Type Activities:</b>					
Bonds Payable - Revenue	319,433.98		106,423.56	213,010.42	66,849.68
Certificates of Participation	877,909.90		108,153.29	769,756.61	113,452.81
Accrued Compensated Absences- Business-Type Funds	108,076.60	89,645.46	108,076.60	89,645.46	22,411.46
<b>Total Business-Type Activities</b>	<b>1,305,420.48</b>	<b>89,645.46</b>	<b>322,653.45</b>	<b>1,072,412.49</b>	<b>202,713.95</b>
<b>Total Primary Government</b>	<b>\$ 6,247,743.72</b>	<b>\$ 256,625.79</b>	<b>\$ 997,167.80</b>	<b>\$ 5,507,201.71</b>	<b>\$ 786,977.84</b>

Debt payable at December 31, 2015 is comprised of the following:

	General Long-Term Debt	Enterprise Funds
<u>Certificates of Participation</u>		
2002 Golf Course Improvement Certificates--with a varying interest rate of 3.95% to 6.25% depending on time to maturity. Final Maturity Date of December 2021, Retired by the Golf Course Fund.		<u>\$ 769,756.61</u>
<u>Revenue Bonds</u>		
Sales Tax Revenue Bond--Series 2005A, 5.00% interest, Final Maturity Date of September 2035, Retired by the General Fund.	\$ 450,480.58	
Sales Tax Revenue Bond--Series 2005B, 4.25% interest, Final Maturity Date of October 2035, Retired by the General Fund.	443,016.99	
Sales Tax Revenue Bond--Series 2007, 6.00% interest, Final Maturity Date of September 2023, Retired by the General Fund.	1,433,102.39	
Sales Tax Revenue Bond--Series 2008, 6.00% interest, Final Maturity Date of September 2018, Retired by the Water Fund.		213,010.42
<b>TOTAL REVENUE BONDS</b>	<u>\$2,326,599.96</u>	<u>\$ 213,010.42</u>
<u>State Revolving Loan:</u>		
State Revolving Fund Loan; 2.25% Interest, Final Maturity Date of January 15, 2021; Retired by the General Fund.	<u>\$ 190,707.23</u>	

	General Long-Term Debt	Enterprise Funds
<u>Special Assessment Bonds</u>		
Chestnut Blvd. Special Assessment Bond-Series 2006, 5.0% interest. Final Maturity date of September 2016, Retired by Debt Service Fund	60,000.00	
Chestnut Blvd. 2007 Sp. Assessment Bond-Series 2007, 5.0% interest. Final Maturity date of September 2017, Retired by Debt Service Fund	132,725.92	
NE Lift & Express 2008 Sp. Assessment Bond-Series 2008, 4.5% interest. Final Maturity date of September 2018, Retired by Debt Service Fund	76,557.96	
Country Club Heights Sp. Assessment Bond-Series 2009, 4.75% interest. Final Maturity date of March 2019, Retired by Debt Service Fund	116,415.81	
<b>TOTAL SPECIAL ASSESSMENT BONDS</b>	<b>\$ 385,699.69</b>	

The City of Brandon agrees that it will, at the expiration of the terms of these issues, or upon earlier call, retire any bonds not normally retired from the proceeds of the special assessments pledged for the retirement of the bonds.

Note Payable

2006 TIF Note --4% interest rate, Final date of maturity December 2025, Retired from TIF Special Revenue and Debt Service Funds.	\$ 861,522.76	\$
2009 TIF Note --4.15% interest rate, Final date of maturity June 2024, Retired from TIF Special Revenue and Debt Service Funds.	503,279.25	
<b>TOTAL OF NOTES PAYABLE</b>	<b>\$ 1,364,802.01</b>	<b>\$</b>

Accumulated Liability for Unused Vacation and Sick Leave. Payments to be made by the funds that payroll expenditures are charged to.	\$ 166,980.33	\$ 89,645.46
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The annual requirements to amortize all debt outstanding as of December 31, 2015, except for compensated absences, but including interest payments of \$919,645 are as follows:

Year Ended Dec 31,	Revenue Bonds		State Revolving Loan		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 267,608	\$ 66,875	\$ 34,614	\$ 4,000	\$ 181,466	\$ 11,500
2017	274,990	59,492	35,400	3,215	126,462	6,195
2018	282,700	51,780	36,203	2,412	60,235	1,854
2019	210,933	44,906	37,025	1,590	17,537	317
2020	214,491	41,347	37,865	750		
2021-2025	748,970	153,560	9,600	54		
2026-2030	242,010	95,524				
2031-2035	297,908	38,027				
<b>Total</b>	<b>\$ 2,539,610</b>	<b>\$ 551,511</b>	<b>\$ 190,707</b>	<b>\$ 12,021</b>	<b>\$ 385,700</b>	<b>\$ 19,866</b>

Year Ended Dec 31,	Certificates of Participation		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 113,453	\$ 15,780	\$ 125,681	\$ 49,098	\$ 722,822	\$ 147,253
2017	119,012	13,454	130,292	44,486	686,156	126,842
2018	124,844	11,015	135,074	39,704	639,056	106,765
2019	130,961	8,455	140,033	34,745	536,489	90,013
2020	137,378	5,770	145,175	29,603	534,909	77,470
2021-2025	144,109	2,954	688,547	81,183	1,591,226	237,751
2026-2030					242,010	95,524
2031-2035					297,908	38,027
<b>Total</b>	<b>\$ 769,757</b>	<b>\$ 57,428</b>	<b>\$ 1,364,802</b>	<b>\$ 278,819</b>	<b>\$ 5,250,576</b>	<b>\$ 919,645</b>

**NOTE 9 – Wastewater Agreement**

In October 2015, the City of Brandon entered into a 20-year agreement with the City of Sioux Falls to obtain wastewater treatment services. An annual administrative fee of \$2,500 is paid by the City of Brandon to the City of Sioux Falls along with a 2015 rate of \$4.51 per 1000 gallons of volume of wastewater discharged from the sewer system of Brandon into the Sioux Falls Wastewater Treatment Facility. The annual administrative fee is for the role of implementation and enforcement of an Industrial Pretreatment Program on industrial users in Brandon. The City of Brandon also pays the rates, surcharges and Regional SDC's as established by the Sioux Falls City Council, and adopted in the Code of Ordinances of Sioux Falls for its Regional Wastewater System. Payments are made from the city's Sewer Fund.

**NOTE 10 – Restricted Net Position**

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

Major Purposes:		
Debt Service Purposes	\$	354,858.86
Capital Improvement and Debt Service Purposes		2,209,009.20
Community Development Purposes		696,578.37
SDPAA Contribution		35,276.56
SDRS Pension Purposes		454,588.83
Total Restricted Net Position	\$	<u>3,750,311.82</u>

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

**NOTE 11 – Interfund Transfers**

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

	<u>Transfers To:</u>			
	Aggregate Other Governmental Funds	Golf Course Fund	Nonmajor Enterprise Fund	Total
<b><u>Transfers From:</u></b>				
General Fund	\$ 32,939.68	\$ 67,039.09	\$ 48,793.66	\$ 148,772.43
Capital Projects Fund	9,325.80			9,325.80
Aggregate Other Governmental Funds	<u>151,360.95</u>			<u>151,360.95</u>
	<u>\$ 193,626.43</u>	<u>\$ 67,039.09</u>	<u>\$ 48,793.66</u>	<u>\$ 309,459.18</u>

The City typically budgets transfers of money to conduct the indispensable functions of the City and to close out old debt service and capital project funds.

**NOTE 12 – Prior Period Adjustments**

The City implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

Governmental Activities

Net Position January 1, 2015, as previously reported	\$ 19,194,868.52
Restatement for pension accounting:	
Net Pension Asset	610,452.87
Pension related Deferred Outflows of Resources	498,790.93
Pension related Deferred Inflows of Resources	<u>(707,007.34)</u>
Net Position January 1, 2015, as restated	<u>\$ 19,597,104.98</u>

Business-Type Activities

Net Position January 1, 2015, as previously reported	\$ 21,458,580.70
Restatement for pension accounting:	
Net Pension Asset-Water	83,203.53
Net Pension Asset-Sewer	43,483.66
Net Pension Asset-Golf Course	63,663.92
Pension Related Deferred Outflows of Resources-Water	67,984.23
Pension Related Deferred Outflows of Resources-Sewer	35,529.78
Pension Related Deferred Outflows of Resources-Golf Course	52,018.73
Pension Related Deferred Inflows of Resources-Water	(96,363.72)
Pension Related Deferred Inflows of Resources-Sewer	(50,361.40)
Pension Related Deferred Inflows of Resources-Golf Course	<u>(73,733.55)</u>
Net Position January 1, 2015, as restated	<u>\$ 21,584,005.88</u>

**NOTE 13 – Pension Plan**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same

manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
- 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
- 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$121,041.94, \$122,454.78, and \$116,050.67, respectively, equal to the required contributions each year.

**Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 11,770,237.78
Less proportionate share of total pension assets	<u>11,307,000.31</u>
Proportionate share of net pension asset	<u>\$ 463,237.47</u>

At December 31, 2015, the City reported a total net pension asset of \$463,237.47 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was .109221%, which is a decrease of .0019309% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized governmental activities pension revenue of \$51,286.68 and business-type activities pension revenue of \$14,007.82. At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 94,849.98	\$
Changes in assumption	367,318.16	
Net difference between projected and actual earnings on pension plan investments	282,983.92	683,515.75
Changes in proportion and difference between City contributions and proportionate share of contributions	6,242.87	
City contributions subsequent to the measurement date	<u>65,221.85</u>	
TOTAL	<u>\$ 816,616.77</u>	<u>\$ 683,515.75</u>

\$65,221.85 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended December 31:

	<u>Governmental</u>		<u>Business-Type Activities:</u>			<u>Total</u>
	<u>Activities:</u>		<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	
2016	\$ 16,732.68	\$	2,280.63	\$ 1,191.90	\$ 1,745.04	\$ 21,950.25
2017	16,732.68		2,280.63	1,191.90	1,745.04	21,950.25
2018	(45,015.47)		(6,135.52)	(3,206.53)	(4,694.65)	(59,052.17)
2019	<u>58,535.47</u>		<u>7,978.27</u>	<u>4,169.59</u>	<u>6,104.64</u>	<u>76,787.97</u>
TOTAL	<u>\$ 46,985.36</u>	<u>\$</u>	<u>6,404.01</u>	<u>\$ 3,346.86</u>	<u>\$ 4,900.07</u>	<u>\$ 61,636.30</u>

### **Actuarial Assumptions:**

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan

investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 1,165,963.52	\$ (463,237.47)	\$ (1,791,710.57)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 14 – Risk Management**

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

**Employee Health Insurance:**

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

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance, 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 City'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 City. The City 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 City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage will be provided up to a \$2,000,000 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 City 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 City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2015, the City has a vested balance in the cumulative reserve fund of \$35,276.56.

Worker's Compensation:

The city joined the South Dakota City League Worker's Compensation 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 the behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and develop a comprehensive loss control program. The City'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 City 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 City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits

The city 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, 2015, five claims were filed for unemployment benefits. These claims resulted in the payment of \$740.00. At December 31, 2015, four claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

**NOTE 15 – Individual Fund Interfund Receivable and Payable Balances:**

Interfund receivable and payable balances at December 31, 2015 were:

Fund	Interfund Receivable	Interfund Payable
Capital Project Fund:		
Sioux Blvd Capital Projects Fund	\$	\$ 2,475,806.34
Special Revenue Funds:		
2006 TIF Special Revenue Fund		58,123.24
Debt Service Funds:		
TIF Hemlock Blvd. Debt Service Fund		223,693.83
TIF Convention Center Debt Service Fund		319.65
Water Fund	282,136.72	
General Fund	2,475,806.34	
	<u>\$ 2,757,943.06</u>	<u>\$ 2,757,943.06</u>

The purposes for the interfund receivable and payable balances are to correct negative fund balances and help with cash flow.

The City expects all interfund receivables and payables to be repaid within one year (except for \$58,123.24 for the TIF Hemlock Blvd. Debt Service payable, which will be paid by December 2018 per promissory note.)

**NOTE 16 – Significant Contingencies-Litigation**

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

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF BRANDON  
BUDGETARY COMPARISON SCHEDULE-BUGETARY BASIS  
GENERAL FUND  
DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 2,295,912.00	\$ 2,295,912.00	\$ 2,313,469.05	\$ 17,557.05
General Sales and Use Taxes	2,100,000.00	2,100,000.00	2,815,216.11	715,216.11
Amusement Taxes	800.00	800.00	924.00	124.00
Penalties and Interest on Delinquent Taxes	2,000.00	2,000.00	3,383.10	1,383.10
Licenses and Permits	84,400.00	84,400.00	103,420.00	19,020.00
Intergovernmental Revenue:				
Federal Grants	124,748.00	124,748.00	72,672.80	(52,075.20)
State Grants	4,631.00	4,631.00	11,363.00	6,732.00
State Shared Revenue:				
Bank Franchise Tax	21,000.00	21,000.00	26,888.62	5,888.62
Liquor Tax Reversion	36,000.00	36,000.00	54,627.95	18,627.95
Motor Vehicle Licenses (5%)	35,000.00	35,000.00	46,196.40	11,196.40
Local Government Highway and Bridge Fund	48,000.00	48,000.00	57,744.30	9,744.30
Other	4,000.00	4,000.00	5,158.19	1,158.19
County Shared Revenue:				
County Wheel Tax	8,000.00	8,000.00	9,535.54	1,535.54
Charges for Goods and Services:				
General Government	1,000.00	1,000.00	3,900.00	2,900.00
Public Safety	40,200.00	40,200.00	40,386.00	186.00
Sanitation	2,500.00	2,500.00	17,434.85	14,934.85
Culture and Recreation	126,032.00	126,032.00	187,275.15	61,243.15
Other	88,040.00	88,040.00	73,165.07	(14,874.93)
Fines and Forfeits:				
Court Fines and Costs	6,500.00	6,500.00	5,156.65	(1,343.35)
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	3,275.16	2,275.16
Rentals	95.00	95.00	95.00	
Special Assessments	14,927.00	14,927.00	21,582.73	6,655.73
Contributions and Donations from Private Sources	25,000.00	25,000.00	8,400.00	(16,600.00)
Other	28,307.00	28,307.00	22,636.06	(5,670.94)
<b>Total Revenue</b>	<u>5,098,092.00</u>	<u>5,098,092.00</u>	<u>5,903,905.73</u>	<u>805,813.73</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF BRANDON**  
**BUDGETARY COMPARISON SCHEDULE-BUGETARY BASIS**  
**GENERAL FUND**  
**DECEMBER 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
General Government:				
Legislative	149,612.00	149,612.00	110,322.41	39,289.59
Executive	231,224.00	231,224.00	212,623.33	18,600.67
Elections	3,438.00	3,438.00		3,438.00
Financial Administration	244,404.00	244,404.00	221,409.91	22,994.09
Other	73,625.00	73,625.00	48,440.26	25,184.74
<b>Total General Government</b>	<b>702,303.00</b>	<b>702,303.00</b>	<b>592,795.91</b>	<b>109,507.09</b>
Public Safety:				
Police	1,290,428.00	1,290,428.00	1,143,663.06	146,764.94
Fire	203,892.00	203,892.00	190,672.91	13,219.09
Protective Inspection	172,619.00	172,619.00	150,598.06	22,020.94
Other Protection	27,500.00	27,500.00	14,334.97	13,165.03
<b>Total Public Safety</b>	<b>1,694,439.00</b>	<b>1,694,439.00</b>	<b>1,499,269.00</b>	<b>195,170.00</b>
Public Works:				
Highways and Streets	825,681.00	850,681.00	783,701.94	66,979.06
Sanitation	6,350.00	6,350.00	5,048.86	1,301.14
Transit	178,369.00	178,369.00	161,940.91	16,428.09
<b>Total Public Works</b>	<b>1,010,400.00</b>	<b>1,035,400.00</b>	<b>950,691.71</b>	<b>84,708.29</b>
Health and Welfare	10,900.00	12,400.00	7,081.81	5,318.19
Culture and Recreation:				
Recreation	185,824.00	185,824.00	142,545.84	43,278.16
Parks	681,139.00	681,139.00	466,695.94	214,443.06
Libraries	10,000.00	10,000.00		10,000.00
<b>Total Culture and Recreation</b>	<b>876,963.00</b>	<b>876,963.00</b>	<b>609,241.78</b>	<b>267,721.22</b>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)				
<b>Total Conservation and Development</b>	<b>351,940.00</b>	<b>351,940.00</b>	<b>140,601.99</b>	<b>211,338.01</b>
Debt Service	394,942.00	394,942.00	394,933.79	8.21
Contingency	36,000.00	9,500.00		9,500.00
<b>Total Expenditures</b>	<b>5,077,887.00</b>	<b>5,077,887.00</b>	<b>4,194,615.99</b>	<b>883,271.01</b>
Excess of Revenue Over (Under)				
Expenditures	20,205.00	20,205.00	1,709,289.74	1,689,084.74
<b>Other Financing Sources (Uses):</b>				
Transfers In	250,000.00	250,000.00		(250,000.00)
Transfers (Out)	(269,750.00)	(269,750.00)	(148,772.43)	120,977.57
Sale of Municipal Property			65,012.33	65,012.33
Compensation for Loss/ Damage to Capital Assets			5,162.51	5,162.51
<b>Total Other Financing Sources (Uses)</b>	<b>(19,750.00)</b>	<b>(19,750.00)</b>	<b>(78,597.59)</b>	<b>(58,847.59)</b>
Net Change in Fund Balances	455.00	455.00	1,630,692.15	1,630,237.15
Net Change in Nonspendable Fund Balance			(4,205.90)	(4,205.90)
Fund Balance - Beginning Balance	3,012,598.45	3,012,598.45	3,012,598.45	
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,013,053.45</b>	<b>\$ 3,013,053.45</b>	<b>\$ 4,639,084.70</b>	<b>\$ 1,626,031.25</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF BRANDON  
BUDGETARY COMPARISON SCHEDULE-BUGETARY BASIS  
STREET MAINTENANCE FUND  
DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	\$ 100.00	\$ 100.00	\$ 156.94	\$ 56.94
Special Assessments	<u>290,000.00</u>	<u>290,000.00</u>	<u>289,431.20</u>	<u>(568.80)</u>
 Total Revenue	 <u>290,100.00</u>	 <u>290,100.00</u>	 <u>289,588.14</u>	 <u>(511.86)</u>
 <b>Expenditures:</b>				
Public Works:				
Highways and Streets			214.22	(214.22)
Capital Outlay	<u>200,000.00</u>	<u>200,000.00</u>	<u>148,849.21</u>	<u>51,150.79</u>
Total Expenditures	<u>200,000.00</u>	<u>200,000.00</u>	<u>149,063.43</u>	<u>50,936.57</u>
Net Change in Fund Balances	90,100.00	90,100.00	140,524.71	50,424.71
Fund Balance - Beginning Balance	<u>168,629.32</u>	<u>168,629.32</u>	<u>168,629.32</u>	
<b>FUND BALANCE - ENDING</b>	<u><b>\$ 258,729.32</b></u>	<u><b>\$ 258,729.32</b></u>	<u><b>\$ 309,154.03</b></u>	<u><b>\$ 50,424.71</b></u>

CITY OF BRANDON  
NOTES TO 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 City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, 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 the resolution of the Governing Board/City Commission 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 the resolution of the Governing Board/City Commission.

Encumbrances 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, special revenue fund, and capital projects funds.

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

Note 2: GAAP/ Budgetary Accounting Basis Differences

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

**Schedule of Required Supplementary Information**  
**CITY OF BRANDON**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**(ASSET)**  
**South Dakota Retirement System**

	2014	2015
City's proportion of the net pension liability (asset)	0.1111519%	0.1092210%
City's proportionate share of net pension liability (asset)	\$ (800,804)	\$ (463,237)
City's covered-employee payroll	\$ 1,698,986	\$ 1,800,249
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-47.13%	-25.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

**Schedule of Required Supplementary Information**  
**CITY OF BRANDON**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**South Dakota Retirement System**

	2015
Contractually required contribution	<u>\$ 119,644</u>
Contributions in relation to the contractually required contribution	<u>\$ 119,644</u>
Contribution deficiency (excess)	<u>\$ _____</u>
City's covered-employee payroll	\$1,800,249
Contributions as a percentage of covered-employee payroll	6.65%



**CITY OF BRANDON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Nonmajor Governmental Funds	Debt Service Nonmajor Governmental Funds	Capital Projects Nonmajor Governmental Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$	\$ 110,292.30	\$	\$ 110,292.30
General Sales and Use Tax	210,401.21			210,401.21
Gross Receipts Business Tax	58,109.00			58,109.00
Miscellaneous Revenue:				
Interest Earnings	7,555.26	123.63		7,678.89
Special Assessments		144,195.72		144,195.72
Total Revenue	<u>276,065.47</u>	<u>254,611.65</u>		<u>530,677.12</u>
<b>Expenditures:</b>				
General Government:				
Other	96,463.58			96,463.58
Conservation and Development:				
Economic Development and Assistance	10.00			10.00
Debt Service	47,517.93	320,737.36		368,255.29
Total Expenditures	<u>143,991.51</u>	<u>320,737.36</u>		<u>464,728.87</u>
Excess of Revenue Over (Under) Expenditures	<u>132,073.96</u>	<u>(66,125.71)</u>		<u>65,948.25</u>
Other Financing Sources (Uses)				
Transfers In		184,300.63	9,325.80	193,626.43
Transfers Out		(151,360.95)		(151,360.95)
Total Other Financing Sources (Uses)		<u>32,939.68</u>	<u>9,325.80</u>	<u>42,265.48</u>
Net Change in Fund Balances	132,073.96	(33,186.03)	9,325.80	108,213.73
Fund Balance - January 1, 2015	<u>986,564.01</u>	<u>(45,462.58)</u>	<u>(9,325.80)</u>	<u>931,775.63</u>
<b>FUND BALANCE - December 31, 2015</b>	<u>\$ 1,118,637.97</u>	<u>\$ (78,648.61)</u>	<u>\$</u>	<u>\$ 1,039,989.36</u>

**CITY OF BRANDON  
COMBINING BALANCE SHEET  
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>Third Cent Sales Tax Fund</b>	<b>2006 TIF Special Revenue Fund</b>	<b>Brandon Revolving Loan Fund</b>	<b>Total</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 463,786.67	\$	\$ 228,109.80	\$ 691,896.47
Accounts Receivable		3,326.00		3,326.00
Notes Receivable-Current			16,927.87	16,927.87
Notes Receivable-Noncurrent			287,224.91	287,224.91
Due From Government	6,725.75			6,725.75
Investments	6,344.42		164,315.79	170,660.21
<b>TOTAL ASSETS</b>	<u>476,856.84</u>	<u>3,326.00</u>	<u>696,578.37</u>	<u>1,176,761.21</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Advance From Water Fund		58,123.24		58,123.24
Total Liabilities		<u>58,123.24</u>		<u>58,123.24</u>
Fund Balances:				
Restricted	476,856.84		696,578.37	1,173,435.21
Unassigned		(54,797.24)		(54,797.24)
Total Fund Balances	<u>476,856.84</u>	<u>(54,797.24)</u>	<u>696,578.37</u>	<u>1,118,637.97</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 476,856.84</u>	<u>\$ 3,326.00</u>	<u>\$ 696,578.37</u>	<u>\$ 1,176,761.21</u>

**CITY OF BRANDON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Third Cent Sales Tax Fund</b>	<b>2006 TIF Special Revenue Fund</b>	<b>Brandon Revolving Loan Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Tax	\$ 210,401.21	\$	\$	\$ 210,401.21
Other Tax		58,109.00		58,109.00
Miscellaneous Revenue:				
Interest Earnings	<u>253.35</u>	<u></u>	<u>7,301.91</u>	<u>7,555.26</u>
Other	<u></u>	<u></u>	<u></u>	<u></u>
Total Revenue	<u>210,654.56</u>	<u>58,109.00</u>	<u>7,301.91</u>	<u>276,065.47</u>
<b>Expenditures:</b>				
General Government:				
Other	96,463.58			96,463.58
Conservation and Development:				
Economic Development and Assistance			10.00	10.00
Debt Service		<u>47,517.93</u>		<u>47,517.93</u>
Total Expenditures	<u>96,463.58</u>	<u>47,517.93</u>	<u>10.00</u>	<u>143,991.51</u>
Net Change in Fund Balances	114,190.98	10,591.07	7,291.91	132,073.96
Fund Balance - January 1, 2015	<u>362,665.86</u>	<u>(65,388.31)</u>	<u>689,286.46</u>	<u>986,564.01</u>
<b>FUND BALANCE - December 31, 2015</b>	<u>\$ 476,856.84</u>	<u>\$ (54,797.24)</u>	<u>\$ 696,578.37</u>	<u>\$ 1,118,637.97</u>

CITY OF BRANDON  
 COMBINING BALANCE SHEET  
 DEBT SERVICE NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015

	Park Street Special Assessment Debt Service Fund	Chestnut Blvd Debt Service Fund	Chestnut Blvd Mid Debt Service Fund	Expr Ave/ FC Lift Debt Service Fund	TIF Covention Center Debt Service Fund	CC Heights Debt Service Fund	TIF Hemlock Blvd. Debt Service Fund	Total
<b>ASSETS:</b>								
Cash and Cash Equivalents	\$ 32,239.76	\$	\$	\$ 74,071.26	\$	\$ 38,286.47	\$	\$144,597.49
Special Assessments Receivable--Current	28,049.48	34,098.35	30,763.65	261.62		14,246.13		107,419.23
Special Assessments Receivable--Deferred	28,049.48		30,763.65	523.24		42,738.39		102,074.76
Investments				594.38		173.00		767.38
<b>TOTAL ASSETS</b>	<u>88,338.72</u>	<u>34,098.35</u>	<u>61,527.30</u>	<u>75,450.50</u>		<u>95,443.99</u>		<u>354,858.86</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>								
Liabilities:								
Advances From Water Fund					319.65		223,693.83	224,013.48
Total Liabilities					319.65		223,693.83	224,013.48
Deferred Inflows of Resources:								
Unavailable Revenue--Special Assessments	56,098.96	34,098.35	61,527.30	784.86		56,984.52		209,493.99
Total Deferred Inflows of Resources	56,098.96	34,098.35	61,527.30	784.86		56,984.52		209,493.99
Fund Balances:								
Restricted	32,239.76			74,665.64		38,459.47		145,364.87
Unassigned					(319.65)		(223,693.83)	(224,013.48)
Total Fund Balances	32,239.76			74,665.64	(319.65)	38,459.47	(223,693.83)	(78,648.61)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 88,338.72</u>	<u>\$ 34,098.35</u>	<u>\$ 61,527.30</u>	<u>\$ 75,450.50</u>	<u>\$ (0.00)</u>	<u>\$ 95,443.99</u>	<u>\$</u>	<u>\$354,858.86</u>

**CITY OF BRANDON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES- DEBT SERVICE NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	TIF Debt Service Fund	Park Street Special Assessment Debt Service Fund	Chestnut Blvd Debt Service Fund	Chestnut Blvd Mid Debt Service Fund	Expr Ave/ FC Lift Debt Service Fund	TIF Covention Center Debt Service Fund	CC Heights Debt Service Fund	TIF Hemlock Blvd. Debt Service Fund	Total
<b>Revenues:</b>									
Taxes:									
General Property Taxes	\$	\$	\$	\$	\$	\$ 75,428.65	\$	\$ 34,863.65	\$ 110,292.30
Miscellaneous Revenue:									
Interest Earnings	14.16		19.37	3.23	53.02		33.85		123.63
Special Assessments		32,239.76	37,542.30	39,817.75	15,363.64		19,232.27		144,195.72
Total Revenue	14.16	32,239.76	37,561.67	39,820.98	15,416.66	75,428.65	19,266.12	34,863.65	254,611.65
<b>Expenditures:</b>									
Debt Service			60,807.50	70,561.84	26,401.65	59,263.95	35,706.10	67,996.32	320,737.36
Total Expenditures			60,807.50	70,561.84	26,401.65	59,263.95	35,706.10	67,996.32	320,737.36
Excess of Revenue Over (Under)									
Expenditures	14.16	32,239.76	(23,245.83)	(30,740.86)	(10,984.99)	16,164.70	(16,439.98)	(33,132.67)	(66,125.71)
Other Financing Sources (Uses):									
Transfer In			2,198.82	30,740.86				151,360.95	184,300.63
Transfer Out	(151,360.95)								(151,360.95)
Total Other Financing Sources (Uses):	(151,360.95)		2,198.82	30,740.86				151,360.95	32,939.68
Net Change in Fund Balances	(151,346.79)	32,239.76	(21,047.01)		(10,984.99)	16,164.70	(16,439.98)	118,228.28	(33,186.03)
Fund Balance -									
January 1, 2015	151,346.79		21,047.01		85,650.63	(16,484.35)	54,899.45	(341,922.11)	(45,462.58)
<b>FUND BALANCE -</b>									
DECEMBER 31, 2015	\$	\$ 32,239.76	\$	\$	\$ 74,665.64	\$ (319.65)	\$ 38,459.47	\$ (223,693.83)	\$ (78,648.61)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES- CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Aspen Blvd Capital Projects Fund</u>
<b>Revenues:</b>	\$
<b>Expenditures:</b>	
Excess of Revenue Over (Under) Expenditures	
Other Financing Sources (Uses):	
Transfer In	9,325.80
Transfer Out	
Total Other Financing Sources (Uses):	<u>9,325.80</u>
Net Change in Fund Balances	9,325.80
Fund Balance - January 1, 2015	<u>(9,325.80)</u>
<b>FUND BALANCE - DECEMBER 31, 2015</b>	<u><u>\$</u></u>

# QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

## 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  
The City of Brandon  
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brandon, South Dakota, as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Brandon's basic financial statements and have issued our report thereon dated August 22, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City of Brandon's internal control over. Accordingly, we do not express an opinion on the effectiveness of the City of Brandon'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 and significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a material weakness.

## **Compliance and Other Matters**

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

### **City of Brandon, South Dakota's Response to Finding**

The City of Brandon's response to the finding identified in our audit is on page 65. The City'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 City's internal control or on compliance. The 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.



Quam, Berglin & Post, P.C.  
Certified Public Accountants

August 22, 2016

**CITY OF BRANDON  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
DECEMBER 31, 2015**

**STATUS OF PRIOR AUDIT FINDINGS:**

The prior audit recommendation 2014-001 has not been corrected and is restated as Current Audit Finding Number 2015-001.

**CURRENT AUDIT FINDINGS:**

***Internal Control-Related Findings – Material Weakness:***

**AUDIT FINDING NUMBER 2015-001:**

There is a material weakness resulting from lack of segregation of duties for revenues and expenditures.

**Criteria:**

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

**Condition, Cause and Effect:**

A material weakness in internal control was reported due to lack of proper segregation of duties for revenues and expenditures resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

**Recommendations:**

We recommend that the City of Brandon officials be cognizant of this lack of segregation of duties for revenues and expenditures and attempt to provide compensating controls, whenever and wherever possible and practical.

**Corrective Action Plan:**

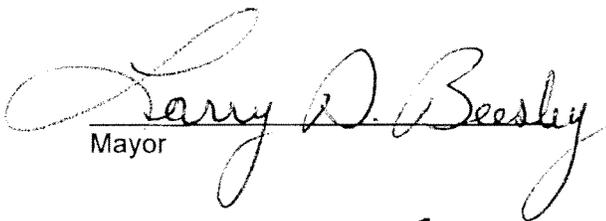
The City of Brandon's officials are aware of this problem, which is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 65.

CITY OF BRANDON  
304 MAIN AVE.  
BRANDON, SD 57004

Corrective Action Plan  
For the year ended December 31, 2015

The City of Brandon has considered the lack of segregation of duties for the revenue and expenditure functions.

At this time it is not cost efficient for the City of Brandon to hire additional staff needed to achieve segregation of duties. The City of Brandon has implemented alternate procedures, to decrease the likelihood that financial data is adversely affected.



Larry D. Beesley

Mayor



Finance Officer/City Administrator