

RANDALL COMMUNITY WATER DISTRICT
P.O. BOX 37
LAKE ANDES, SOUTH DAKOTA 57356

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

Schoenfish & Co., Inc.

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

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota

DISTRICT OFFICIALS
December, 31 2015

NAME OF BOARD OF DIRECTORS & ADDRESS:			POSITION:
Dave Meyerink	27564 365 th Ave.	Platte, SD	President
Kenneth Kuipers	35740 271 st St.	Platte, SD	Vice President
John Carda	39833 306 th St.	Wagner, SD	Treasurer
Tom Travis	26949 360 th Ave.	Platte, SD	Secretary
Trent Beltman	27381 377 th Ave.	Harrison, SD	Member
Scott Holbeck	28345 389 th Ave.	Armour, SD	Member
Mike Kuhlman	30020 389 th Ave.	Wagner, SD	Member
Larry Laska	38432 293 rd St.	Lake Andes, SD	Member
Joel Lau	39765 277 th St.	Armour, SD	Member
Vance Qualm	27645 357 th Ave.	Platte, SD	Member
Christopher Slaba	37983 287 th St.	Geddes, SD	Member
LeRoy Weisser	39917 290 th St.	Delmont, SD	Member

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RANDALL COMMUNITY WATER DISTRICT

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

Board of Directors
Randall Community Water District
Lake Andes, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Randall Community Water District of Lake Andes, South Dakota, (District) as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

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

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

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

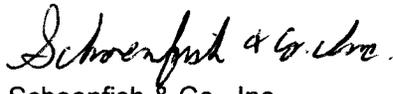
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Randall Community Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
March 24, 2016

Schoenfish & Co., Inc.

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

Board of Directors
Randall Community Water District
Lake Andes, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Randall Community Water District, Lake Andes, South Dakota (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Schoenfish & Co., Inc.
 Certified Public Accountants
 March 24, 2016

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Prior Other Audit Findings:

There are no prior other audit findings.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statements

- a. An unmodified opinion was issued on the financial statements on each opinion unit.
- b. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- c. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- d. Our audit did not disclose any audit findings that are required to be disclosed in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- e. The federal awards tested as major programs were:
 - 1. Water and Waste Disposal Systems for Rural Communities CFDA No. 10.760
- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- g. Randall Community Water District did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal audit findings to disclose.

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to disclose.

CLOSING CONFERENCE

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Randall Community Water District
Lake Andes, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Randall Community Water District of Lake Andes, South Dakota, (District) as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Randall Community Water District as of December 31, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Comparative Information

We have previously audited the Randall Community Water District's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2015. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 11 to the financial statements, the District 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 Note 11 to the financial statements, the District has retroactively restated the previously reported Net Position in accordance with this statement. The 2014 financial statements were not restated since an opinion dated March 19, 2015 was issued on those financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the District Contributions, on pages 10 through 17, 40, and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, which as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule A, Schedule B, Schedule C, and Schedule D 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 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
March 24, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Randall Community Water District's annual financial report presents our discussion and analysis of RCWD's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with RCWD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Randall Community Water District's net position from business-type activities increased by \$241,526.06 (GASB 68 implementation resulted in a prior period adjustment of \$149,094.98).
- During the year 2015 RCWD's revenues generated from charges for services were \$3,390,434.35. This is \$82,051.01 more than the prior year.
- In 2015, RCWD's revenue increased by 2 percent \$65,856.31 while expenses also increased 1 percent \$23,920.27.

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 RCWD.

- The first two statements provide both long-term and short-term information about RCWD's overall financial status.
- The remaining statements are financial statements that focus on individual parts of RCWD's operations in more detail than the overall statement.
 - Proprietary fund statements offer short- and long-term financial information about the activities that RCWD operates like businesses. RCWD has one propriety fund – the Water 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. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our financial statements.

Figure A-1

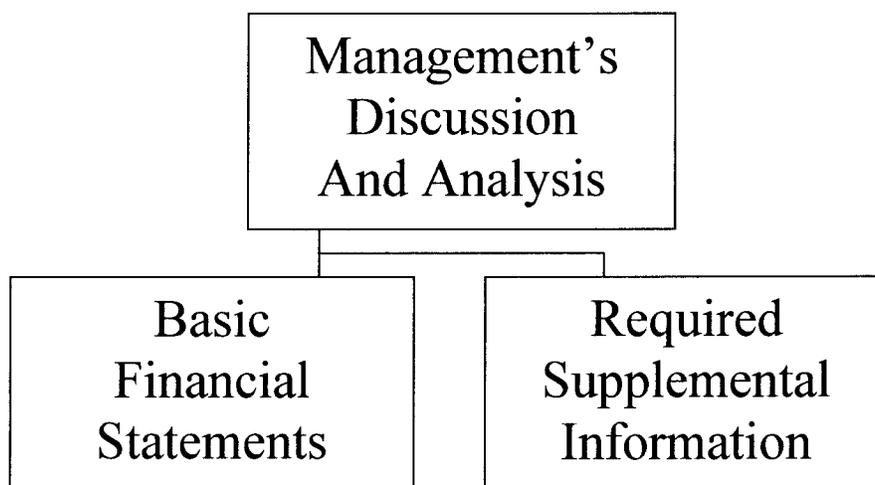


Figure A-2 summarizes the major features of Randall Community Water District's financial statement. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of the financial statement.

Figure A-2

Major Features of Randall Community Water District's Financial Statements	
Scope	Activities RCWD operates similar to private businesses, water systems.
Required Financial Statements	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual Accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid

Operations Statements

The operations statements report information about Randall Community Water District 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 RCWD's net position and how they have changed. Net position – the difference between RCWD's assets plus deferred outflows and liabilities plus deferred inflows– are one way to measure RCWD's financial health.

- Increases or decreases in RCWD's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The operations statements of RCWD are reported as a business-type activity:

- RCWD charges a fee to customers to cover the costs of pumping, treatment and distribution of potable water.
- Other charges include application fees, late fees and reconnect fees.
- A Security Deposit is obtained from new customers. This is refundable after two years if the account is kept current and problem free. It may also be used on any final bill when a customer is no longer a part of RCWD.

FINANCIAL ANALYSIS OF RANDALL COMMUNITY WATER DISTRICT AS A WHOLE

Net Position

Randall Community Water District's net position increased .40 percent between the fiscal year 2014 and 2015 – increasing by \$92,431.08. (See Table A-1).

TABLE A-1

	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS			
Capital Assets	22,815,276.14	22,654,987.43	22,697,277.03
Net Pension Asset & Deferred Outflows	0.00	0.00	403,327.56
Restricted Assets	1,180,722.52	1,220,445.62	1,234,871.60
Current and Other Assets	3,800,109.67	4,278,557.59	4,467,596.48
Total Assets and Other Debits	<u>27,796,108.33</u>	<u>28,153,990.64</u>	<u>28,803,072.67</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Long-Term Debt Outstanding	2,471,750.50	2,418,965.45	6,357,317.72
Deferred Inflows	0.00	0.00	225,015.34
Current and Other Liabilities	3,883,481.23	4,207,669.85	451,858.21
Total Liabilities and Deferred Inflows	<u>6,355,231.73</u>	<u>6,626,635.30</u>	<u>7,034,191.27</u>
Net Investment in Capital Assets	19,579,784.66	20,354,121.54	16,476,946.88
Restricted for Debt Service	149,100.00	149,100.00	158,725.00
Restricted for SDRS Pension	0.00	0.00	178,312.22
Unrestricted Net Position	1,711,991.94	1,024,133.80	4,954,897.30
Total Net Position	<u>21,440,876.60</u>	<u>21,527,355.34</u>	<u>21,768,881.40</u>
Total Liabilities and Net Position	<u>27,796,108.33</u>	<u>28,153,990.64</u>	<u>28,803,072.67</u>
Beginning Net Position	<u>21,027,739.86</u>	<u>21,440,876.60</u>	<u>21,527,355.34</u>
Adjustment-SDRS Refund of Prior Expense	0.00	0.00	149,094.98
Adjusted Beginning Net Position	<u>21,027,739.86</u>	<u>21,440,876.60</u>	<u>21,676,450.32</u>
Increase (Decrease) in Net Position	<u>413,136.74</u>	<u>86,478.74</u>	<u>92,431.08</u>
Percentage of Increase in Net Position	<u>1.96%</u>	<u>0.40%</u>	<u>0.43%</u>

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 long-term liabilities of Randall Community Water District, consisting of Rural Development Mortgage Payable, and Financing Capital Acquisition Leases, and have been reported in this manner on the Statement of Net Position. The difference between RCWD's assets plus deferred outflows and liabilities plus deferred inflows is its net position.

Changes in Net Position

This section shows a condensed financial comparison of revenues and expenses and provides explanations for significant differences.

Randall Community Water District’s total revenues (excluding Capital Contributions) totaled \$3,455,581.49. (See Table A-2). The majority of RCWD’s revenue comes from charges to customers for water usage. These charges are divided into the following categories: Rural Farms, Rural Pastures, Cabin/Campgrounds, Other and Bulk Users (See Figure A-3).

RCWD’s Operating and Maintenance expenses decreased from 2014 to 2015 by \$43,319.42 (See Table A-2) or approximately 1 percent. RCWD’s expenses cover water treatment, system maintenance, and labor (See Figure A-4).

Figure A-3, RCWD, Sources of Revenues for Fiscal Year 2015

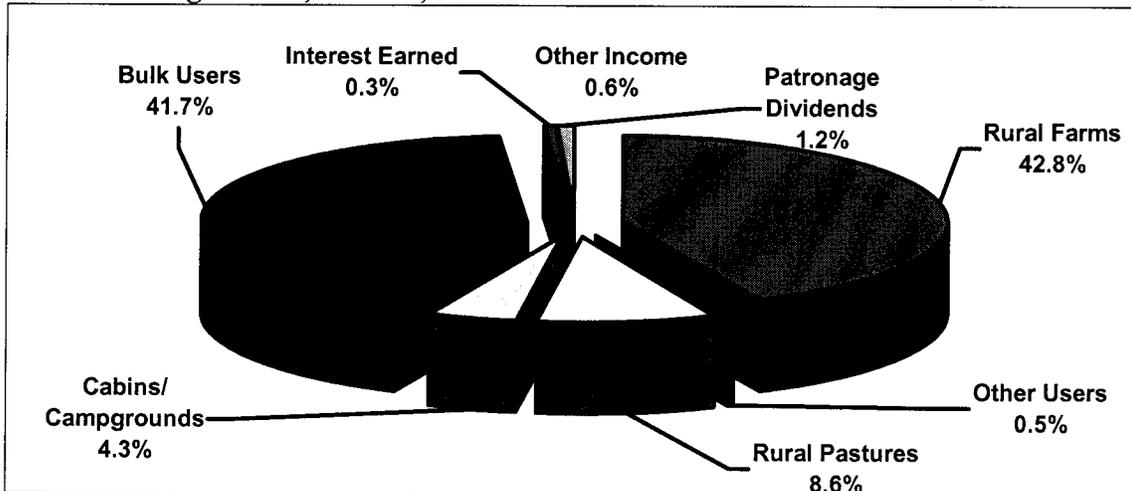
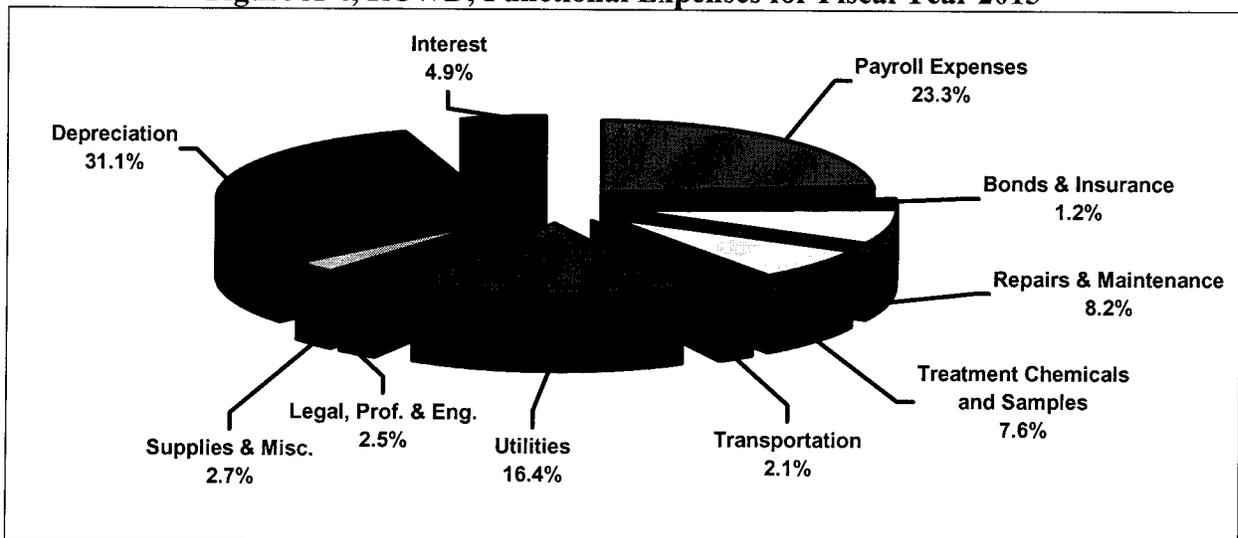


Figure A-4, RCWD, Functional Expenses for Fiscal Year 2015



Business-type Activities

Table A-2 and the narrative that follows consider the operations of the District's activities.

TABLE A-2
Randall Community Water District
Changes in Net Position

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:			
Water Sales (Pledged for Debt)	3,056,914.48	3,308,383.34	3,390,434.35
Interest & Dividends Earned	77,618.55	60,953.68	38,901.14
Other Miscellaneous Income	17,699.55	20,388.16	26,246.00
Total Revenue	<u>3,152,232.58</u>	<u>3,389,725.18</u>	<u>3,455,581.49</u>
Expenses:			
Intakes	179,288.42	259,033.90	312,158.66
Plants	654,094.55	747,163.51	778,935.78
Distributions	568,530.62	997,567.06	762,462.60
Administration	380,718.87	315,693.48	374,569.69
Long-Term Interest Expense	107,218.87	103,672.29	170,911.98
Depreciation Expense	1,014,063.38	1,034,026.38	1,082,038.18
Total Expenses	<u>2,903,914.71</u>	<u>3,457,156.62</u>	<u>3,481,076.89</u>
Increase in Net Position before Capital Contributions	<u>248,317.87</u>	<u>(67,431.44)</u>	<u>(25,495.40)</u>
Pension Revenue	0.00	0.00	24,629.76
Loss on Disposal of Capital Assets	0.00	(11,375.05)	(4,337.28)
Capital Contributions	<u>164,818.87</u>	<u>165,285.23</u>	<u>97,634.00</u>
Increase in Net Position	<u>413,136.74</u>	<u>86,478.74</u>	<u>92,431.08</u>
Adjustment to Beginning Balance	<u>0.00</u>	<u>0.00</u>	<u>149,094.98</u>
NET POSITION - ENDING	<u><u>21,440,876.60</u></u>	<u><u>21,527,355.34</u></u>	<u><u>21,768,881.40</u></u>

Revenues of Randall Community Water District's business-type activities increased by 2 percent, while expenses increased by 1 percent.

- The age of the system has a direct influence on the increase in maintenance expenses.
- Several maintenance projects were completed in 2015, which also directly impacted maintenance expenses.

FINANCIAL ANALYSIS OF RANDALL COMMUNITY WATER DISTRICT'S FUNDS

The financial analysis of Randall Community Water District's funds mirror those highlighted in the analysis of business activities presented above. RCWD maintains a business-type fund – the Operations Fund.

CAPITAL ASSETS ADMINISTRATION

During the year ended 2015, Randall Community Water District capitalized \$750,003.82 in new projects and assets (See Table A-3.) This amount represents a net increase (including additions and deductions) of 0.2% from the last year. The total net capital assets increased by \$42,289.60.

TABLE A-3
Randall Community Water District
Capital Assets (Net of Depreciation)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Land	493,255.18	493,255.18	493,255.18
Lagoon	32,779.47	32,779.47	32,779.47
Construction Work in Process	6,342,389.75	6,742,211.79	7,130,458.30
Intakes	114,365.67	97,000.75	79,646.49
Plants	1,411,265.50	1,320,700.43	1,289,308.25
Distribution	14,304,701.66	13,830,088.33	13,517,754.76
Administration	116,518.91	138,951.48	154,074.58
Total Capital Assets (Net)	<u>22,815,276.14</u>	<u>22,654,987.43</u>	<u>22,697,277.03</u>

This year's projects that were capitalized were the Booster/Generator Hookup Project for \$36,546.60, Olsen Pneumatic Replacement for \$51,591.81, Kafka Line Replacement for \$13,912.64, Wagner PRV Upgrade for \$64,592.60, Higbee Cut Line Relocate Project for \$3,889.44, Monument Hill Upgrade for \$8,355.69, Bijou Hills Tank Replacement for \$92,718.00, SunSet Acres Line Re-Route Project for \$109,593.24, New Holland Church Line Relocate for \$12,793.88, and Ryan Cihak 3" Parallel Line for \$23,282.33. Other purchases two furnaces for PII plant, two portable dehumidifiers, MP-6p Essentials package for PII and PIII, two pickups, shelving, sonic wall upgrade, cell phone booster, SCADAview computer, two ipads, telemetry equipment, Titan trailer, trench box, Polaris 900XP Crew, Bobcat tiller, Husquavarna mower, generator, exchange server, copier, and Square9 software. Construction in progress includes the Plant III Upgrade, PII Plant Crane System, PII Plant Chemical Room, PIII Plant Roof Damage, PII Plant Dehumidification, Alternative Energy Project, PII Plant Pond Project, PII Raw Water Main Upgrade, Timmerman Project, Mesman Project, Radio Shed Replacement Project, PII Ground Storage Addition, AMR System, PII Plant Clarifier Upgrade..

RCWD's projects are funded by Loans and Grants received from USDA Rural Development, Indian Health Service and South Central Water Development District, application and construction fees from RCWD customers, and RCWD funds.

LONG-TERM DEBT

At the year-end, Randall Community Water District had Real Estate Mortgages totaling \$6,214,830.72 and Financing Capital Acquisition Lease of \$5,499.43. This is an increase as shown on Table A-4 below.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Compensated Absences	2,954.53	9,020.70	62,678.69
Financing Capital Acquisition Lease	0.00	0.00	5,499.43
Real Estate Mortgage Payable	<u>2,348,413.43</u>	<u>2,300,865.89</u>	<u>6,214,830.72</u>
Total Outstanding Debt and Obligations	<u>2,351,367.96</u>	<u>2,309,886.59</u>	<u>6,283,008.84</u>

Randall Community Water District is liable for the accrued vacation leave payable to all full-time employees who are employed by the district.

Compensated Absences increased drastically due a change in sick leave policy. Prior sick leave was not paid out, but the policy changed to include the payment of prior sick leave recorded.

SHORT-TERM DEBT

Randall Community Water District entered into an interim financing agreement with CoBank to provide funding for the Phase III Plant Upgrade. During 2015, this interim financing was refinanced into a Rural Development Loan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

RCWD's primary source of revenue is water sales to rural customers and communities.

RCWD's Board of Directors approved the budget for the next fiscal year. Reflected in the budget is an increase in water treatment chemicals and sampling fees. Also included in the budget for the next fiscal year is an anticipated increase in power costs and fuel.

CONTACTING RANDALL COMMUNITY WATER DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of RCWD's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional information, contact the RCWD's office, 445 Main, PO Box 37, Lake Andes, SD 57356.

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2014 and December 31, 2015
EXHIBIT I

	December 31, 2014	Increase or (Decrease)	December 31, 2015
ASSETS AND OTHER DEBITS:			
<u>Utility Plant:</u>			
Utility Plant in Service Classified (See Note 7)	35,424,584.44	611,646.08	36,036,230.52
Less: Accumulated Provision for Depreciation	(19,511,808.80)	(957,602.99)	(20,469,411.79)
Net	<u>15,912,775.64</u>	<u>(345,956.91)</u>	<u>15,566,818.73</u>
Construction Work in Progress and Completed Construction not Classified	<u>6,742,211.79</u>	<u>388,246.51</u>	<u>7,130,458.30</u>
Net Utility Plant	<u>22,654,987.43</u>	<u>42,289.60</u>	<u>22,697,277.03</u>
<u>Other Property and Investments:</u>			
Other Investments-Patronage Capital Credits	552,702.68	14,123.46	566,826.14
Reserve Fund Investments-CD's	<u>667,742.94</u>	<u>302.52</u>	<u>668,045.46</u>
Net Other Property and Investments	<u>1,220,445.62</u>	<u>14,425.98</u>	<u>1,234,871.60</u>
<u>Net Pension Asset</u>			
Net Pension Asset	<u>0.00</u>	<u>145,765.36</u>	<u>145,765.36</u>
Total Net Pension Asset	<u>0.00</u>	<u>145,765.36</u>	<u>145,765.36</u>
<u>Deferred Outflows of Resources</u>			
Pension Related Deferred Outflows	<u>0.00</u>	<u>257,562.20</u>	<u>257,562.20</u>
Total Deferred Outflows of Resources	<u>0.00</u>	<u>257,562.20</u>	<u>257,562.20</u>
<u>Current and Accrued Assets:</u>			
Cash on Hand	400.00	207.00	607.00
Cash in Bank	1,274,383.01	127,038.87	1,401,421.88
Money Market	2,164,192.10	(43,148.16)	2,121,043.94
Investments-CD's	500,000.00	0.00	500,000.00
Accounts Receivable	19,657.83	5,918.99	25,576.82
Inventory	297,317.20	93,200.65	390,517.85
Prepaid Insurance	20,758.13	5,821.50	26,579.63
Accrued Interest Receivable	<u>1,849.32</u>	<u>0.04</u>	<u>1,849.36</u>
Total Current and Accrued Assets	<u>4,278,557.59</u>	<u>189,038.89</u>	<u>4,467,596.48</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>28,153,990.64</u></u>	<u><u>649,082.03</u></u>	<u><u>28,803,072.67</u></u>

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

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2014 and December 31, 2015
EXHIBIT I

	December 31, 2014	Increase or (Decrease)	December 31, 2015
<u>LIABILITIES AND OTHER CREDITS:</u>			
<u>Net Position:</u>			
Net Investment in Capital Assets	20,354,121.54	(3,877,174.66)	16,476,946.88
Restricted for Debt Service	149,100.00	9,625.00	158,725.00
Restricted for SDRS Pension	0.00	178,312.22	178,312.22
Unrestricted Net Position	1,024,133.80	3,930,763.50	4,954,897.30
Total Net Position	21,527,355.34	241,526.06	21,768,881.40
<u>Deferred Inflows of Resources</u>			
Pension Related Deferred Inflows	0.00	225,015.34	225,015.34
Total Deferred Inflows of Resources	0.00	225,015.34	225,015.34
<u>Long-Term Debt:</u>			
Reserve Funds Payable	167,742.94	302.52	168,045.46
Debt Payable - (See Note 9)	2,300,865.89	3,919,464.26	6,220,330.15
Less: Current Portion for Calendar Year	(49,643.38)	18,585.49	(31,057.89)
Total Long-Term Debt	2,418,965.45	3,938,352.27	6,357,317.72
<u>Current and Accrued Liabilities:</u>			
Debt Payable - Current Portion Shown Above	49,643.38	(18,585.49)	31,057.89
Interim Financing	3,819,711.23	(3,819,711.23)	0.00
Accounts Payable	91,748.38	11,364.36	103,112.74
Contracts Payable	206,380.09	17,098.65	223,478.74
Accrued Interest Payable	13,616.07	(3,135.92)	10,480.15
Accrued Leave Payable	9,020.70	53,657.99	62,678.69
Customer Deposits	17,550.00	3,500.00	21,050.00
Total Current and Accrued Liabilities	4,207,669.85	(3,755,811.64)	451,858.21
TOTAL LIABILITIES AND OTHER CREDITS	28,153,990.64	649,082.03	28,803,072.67

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

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
Calendar Years 2014 and 2015
EXHIBIT II

	2014	Increase or (Decrease)	2015
<u>Operating Revenue:</u>			
Charges for Goods and Services Pledged as Security for Revenue Debt	3,308,383.34	82,051.01	3,390,434.35
Miscellaneous	20,388.16	5,857.84	26,246.00
Total Operating Revenue	3,328,771.50	87,908.85	3,416,680.35
<u>Operating Expenses:</u>			
Intakes	259,033.90	53,124.76	312,158.66
Plants	747,163.51	31,772.27	778,935.78
Distributions	997,567.06	(235,104.46)	762,462.60
Administration	315,693.48	58,876.21	374,569.69
Depreciation	1,034,026.38	48,011.80	1,082,038.18
Total Operating Expenses	3,353,484.33	(43,319.42)	3,310,164.91
Operating Income (Loss)	(24,712.83)	131,228.27	106,515.44
<u>Nonoperating Revenue (Expense):</u>			
Investment Earnings	21,230.56	3,547.12	24,777.68
Interest Expense and Fiscal Charges	(103,672.29)	(67,239.69)	(170,911.98)
Pension Revenue (Expense) - SDRS	0.00	24,629.76	24,629.76
Loss on Disposal of Capital Assets	(11,375.05)	7,037.77	(4,337.28)
Other	39,723.12	(25,599.66)	14,123.46
Total Nonoperating Revenue (Expense)	(54,093.66)	(57,624.70)	(111,718.36)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(78,806.49)	73,603.57	(5,202.92)
Capital Contributions	165,285.23	(67,651.23)	97,634.00
Change in Net Position	86,478.74	5,952.34	92,431.08
Net Position - Beginning	21,440,876.60	86,478.74	21,527,355.34
Prior Period Adjustment for GASB 68 - See Note 11	0.00	149,094.98	149,094.98
Restated Beginning Net Position	21,440,876.60	235,573.72	21,676,450.32
NET POSITION - ENDING	21,527,355.34	241,526.06	21,768,881.40

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

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2014 and 2015
EXHIBIT III

	2014	2015
<u>Cash Flows From Operating Activities:</u>		
Cash Receipts from Customers	3,310,739.53	3,388,015.36
Other Operating Cash Receipts	20,388.16	26,246.00
Cash Payments to Employees for Services	(613,178.02)	(754,272.84)
Cash Payments to Suppliers of Goods and Services	(1,569,126.99)	(1,490,755.04)
Net Cash Provided (Used) by Operating Activities	<u>1,148,822.68</u>	<u>1,169,233.48</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Debt Received	2,932,633.18	4,167,924.64
Sale Of Capital Assets	2,256.00	8,700.00
Purchases of Capital Assets	(3,553,592.85)	(1,141,952.54)
Contributions in Aid of Construction	165,285.23	97,634.00
Payments on Long-Term Debt	(47,547.54)	(84,301.74)
Payments on Short-Term Debt	0.00	(3,983,869.87)
Interest Paid	(96,764.50)	(174,047.90)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(597,730.48)</u>	<u>(1,109,913.41)</u>
<u>Cash Flows From Investing Activities:</u>		
Interest Received	7,081.67	13,000.53
Patronage Dividends Received	12,299.57	11,777.11
Net Certificates of Deposits (Purchased)/Cashed	(500,000.00)	0.00
Net Cash Provided (Used) by Investing Activities	<u>(480,618.76)</u>	<u>24,777.64</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>70,473.44</u>	<u>84,097.71</u>
Cash Balance at Beginning of Year	<u>3,368,501.67</u>	<u>3,438,975.11</u>
Cash Balance at End of Year	<u>3,438,975.11</u>	<u>3,523,072.82</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</u>		
Operating Income (Loss)	(24,712.83)	106,515.44
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,034,026.38	1,082,038.18
Change in Assets and Liabilities:		
Receivables	406.19	(5,918.99)
Inventories	92,528.78	(93,200.65)
Prepaid Insurance	939.87	(5,821.50)
Accounts and Other Payables	37,618.12	28,463.01
Accrued Leave Payable	6,066.17	53,657.99
Customer Deposits	1,950.00	3,500.00
Net Cash Provided (Used) by Operating Activities	<u>1,148,822.68</u>	<u>1,169,233.48</u>
<u>Noncash Investing, Capital, and Financing Activities:</u>		
Increase in Patronage Capital Credits	<u>39,723.12</u>	<u>14,123.46</u>

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. FORMATION OF DISTRICT

Article I of the by-laws of the district states in part that "The name of the Water User District formed under Chapter 46-16 of the South Dakota compiled Laws, shall be the Randall Community Water District."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Randall Community Water District, 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.

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

Proprietary Funds:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

b. 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:

In the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Basis of Accounting:

In the financial statements, 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).

c. 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.

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 balances of business-type capital assets are all valued at original cost.

For capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Accumulated depreciation is reported on the 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 proprietary funds are as follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land & Land Rights	\$ 0.00	--- N/A---	--- N/A---
Improvements Other than Buildings	\$ 500.00	Straight-Line	25-40 yrs.
Buildings	\$ 500.00	Straight-Line	25-40 yrs.
Machinery & Equipment	\$ 500.00	Straight-Line	3-10 yrs.
Infrastructure	\$ 500.00	Straight-Line	12.5-40 yrs.
Utility Property & Improvements	\$ 500.00	Straight-Line	12.5-40 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

d. 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 statements.

All long-term liabilities to be repaid from business-type resources are reported as liabilities in the statements. The long-term liabilities primarily consist of RECD loans and financing (capital acquisition) leases.

The accounting for proprietary fund long-term debt is on the accrual basis.

e. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

f. Cash and Cash Equivalents:

For the purpose of the proprietary fund's Statement of Cash Flows, the District considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

g. Equity Classifications:

Equity is classified as net assets 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

h. Application of Net Position:

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

i. Pensions:

For purposes of measuring the net position liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and addition to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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

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

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

Investments - In general, SDCL 4-5-6 permits District funds to be invested in

- (a) Securities of the United States and securities guaranteed by the United States Government either directly or indirectly including; or
- (b) repurchase agreements fully collateralized by securities described in (a) above; or
- (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above.

Also, SDCL 4-5-9 requires investments to be in the physical custody of the political 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

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

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

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

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 District's policy is to credit all income from investments to the fund making the investment.

4. ANALYSIS OF CASH & INVESTMENTS

The carrying amounts of cash and investments at December 31, 2014 and 2015 consist of the following:

	<u>2014</u>	<u>2015</u>
Cash on Hand — Petty Cash & Cash Change	\$ 400.00	\$ 607.00
Regular Checking Account	680,716.57	746,082.87
Money Market Checking	2,164,192.10	2,121,043.94
Money Market Checking - Long Term Maintenance	572,822.91	623,455.41
Restricted Customer Deposits	17,550.00	21,050.00
Money Market Savings (Image Plus)	3,293.53	10,833.60
Certificates of Deposit	500,000.00	500,000.00
RECD Reserve Fund Certificates of Deposit	667,742.94	668,045.46
TOTAL CASH & INVESTMENTS	<u>\$ 4,606,718.05</u>	<u>\$ 4,691,118.28</u>

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The District expects all receivables to be collected within one year.

a. Detail of Accounts Receivable:

<u>Explanation</u>	<u>2014</u>	<u>2015</u>
Water Users	\$ 17,196.95	\$ 22,334.49
Other	210.17	556.83
New Construction	2,250.71	2,685.50
	<u>\$ 19,657.83</u>	<u>\$ 25,576.82</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

b. Aged Accounts Receivable:

Accounts Receivable — Customers consist of the following due dates and amounts:

<u>Due Date</u>	<u>2014</u>	<u>2015</u>
0-30 Days	\$ 4,510.47	\$ 4,565.26
31-60 Days	(1,387.60)	7,294.45
61-90 Days	17,573.15	14,503.85
Over 90 Days	(1,038.19)	(786.74)
	<u>\$ 19,657.83</u>	<u>\$ 25,576.82</u>

6. COMPLIANCE WITH LOAN AGREEMENTS

The District is required to establish a reserve as stated in part 10 of the "Loan Resolution Public Bodies" (USDA-FMHA, form FMHA 442-47, Rev. 4-9-76). Appendix A, Par 8 (ii), of the Farmers Home Administration requirements defined the reserve requirement as: "each borrower will be required to establish and maintain reserves sufficient to assure that loan installments will be paid on time, to pay for emergency maintenance, and for extensions to facilities. It is expected that borrowers issuing bonds or other evidences of debt pledging facility revenues as security will ordinarily plan their program to provide for a total reserve in amount, equal, at least, to one average loan installment. It is also expected that ordinarily such reserve will be accumulated at the rate of at least one tenth of the total each year until the desired level is reached."

7. CHANGES IN CAPITAL ASSETS

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

	<u>Balance</u> <u>1/01/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	493,255.18			493,255.18
Lagoons	32,779.47			32,779.47
Construction Work in Progress	6,742,211.79	809,026.74	(420,780.23)	7,130,458.30
Total Capital Assets, Not Being Depreciated	<u>7,268,246.44</u>	<u>809,026.74</u>	<u>(420,780.23)</u>	<u>7,656,492.95</u>
Capital Assets, Being Depreciated:				
Intakes	1,568,529.05			1,568,529.05
Power and Pumping	3,643,756.38	76,706.25	(20,758.45)	3,699,704.18
Distribution	29,399,073.40	626,948.96	(115,342.29)	29,910,680.07
Administrative and General	287,190.96	46,348.61	(2,257.00)	331,282.57
Total Capital Assets, Being Depreciated	<u>34,898,549.79</u>	<u>750,003.82</u>	<u>(138,357.74)</u>	<u>35,510,195.87</u>
Less Accumulated Depreciation for:				
Intakes	(1,471,528.30)	(17,354.26)		(1,488,882.56)
Power and Pumping	(2,323,055.95)	(97,339.98)	10,000.00	(2,410,395.93)
Distribution	(15,568,985.07)	(937,003.70)	113,063.46	(16,392,925.31)
Administrative and General	(148,239.48)	(30,340.24)	1,371.73	(177,207.99)
Total Accumulated Depreciation	<u>(19,511,808.80)</u>	<u>(1,082,038.18)</u>	<u>124,435.19</u>	<u>(20,469,411.79)</u>
Total Business-Type Activity Capital Assets, Being Depreciated, Net	<u>15,386,740.99</u>	<u>(332,034.36)</u>	<u>(13,922.55)</u>	<u>15,040,784.08</u>
Total Business-Type Activity Capital Assets, Net	<u>22,654,987.43</u>	<u>476,992.38</u>	<u>(434,702.78)</u>	<u>22,697,277.03</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

Depreciation Expense:	
Intakes	17,354.26
Plants	97,339.98
Distribution	937,003.70
Administration and General	30,340.24
Total Depreciation	1,082,038.18

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 12/31/2015</u>	<u>Committed</u>	<u>Required Future Financing</u>
PIII Plant Upgrade	6,608,347.19	6,608,347.19	0.00	0.00
PII Plant Crane System Upgrade	1,286.00	1,286.00	0.00	0.00
PII Plant 2015 Upgrade	48,689.70	48,689.70	0.00	0.00
PII Plant Chemical Room	142.20	142.20	0.00	0.00
PIII Plant Roof Damage	132,811.29	132,811.29	0.00	0.00
Platte Intake Upgrade	104,006.77	104,006.77	0.00	0.00
PII Plant Dehumidification Project	12,430.00	12,430.00	0.00	0.00
Alternative Eneary Project	3,426.00	3,426.00	0.00	0.00
PII Plant Pond Project	854.00	854.00	0.00	0.00
PII Raw Water Main Upgrade	1,588.50	1,588.50	0.00	0.00
Timmerman Project	67,433.27	67,433.27	0.00	0.00
Mesman Project	6,557.00	6,557.00	0.00	0.00
Radio Shed Replacemtn Project	20,348.61	20,348.61	0.00	0.00
PII Ground Storage Addition Project	2,163.00	2,163.00	0.00	0.00
AMR System Project	152.77	152.77	0.00	0.00
PII Plant Clarifier Upgrade Project	120,222.00	120,222.00	0.00	0.00
Total Construction Work in Progress	7,130,458.30	7,130,458.30	0.00	0.00

8. INVENTORY

Inventory consists of expendable supplies held for consumption. Supply inventories are recorded at average cost method.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

9. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Business-Type Activities:					
Real Estate Mortgage Payable-USDA Rural Development (Footnote A)	1,091,972.86		(22,936.36)	1,069,036.50	23,954.13
Real Estate Mortgage Payable-USDA Rural Development (Footnote B)	1,093,138.51		(21,767.97)	1,071,370.54	22,719.66
Real Estate Mortgage Payable-USDA Rural Development (Footnote C)	115,754.52		(5,085.80)	110,668.72	5,243.66
Real Estate Mortgage Payable-USDA Rural Development (Footnote D)	0.00	3,997,000.00	(33,245.04)	3,963,754.96	56,683.09
Financing (Capital Acquisition) Lease	0.00	6,766.00	(1,266.57)	5,499.43	1,557.35
Total Debt	<u>2,300,865.89</u>	<u>4,003,766.00</u>	<u>(84,301.74)</u>	<u>6,220,330.15</u>	<u>110,157.89</u>
Accrued Compensated Absences	9,020.70	138,902.87	(85,244.88)	62,678.69	42,681.41
Total Business-Type Activities	<u>2,309,886.59</u>	<u>4,142,668.87</u>	<u>(169,546.62)</u>	<u>6,283,008.84</u>	<u>152,839.30</u>

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

FOOTNOTE A - \$1,300,000.00 Real Estate Mortgage Payable - USDA Rural Development, Dated December 12, 2000, at Interest rate of 4.50% per annum. Interest only payable on December 12, 2001 and 2002. Principal and interest totaling \$5,967.00 payable on January 12, 2003 and each month thereafter until principal and interest are fully paid, except final installment, if not sooner paid, shall be due and payable forty (40) years from the date of this note.

FOOTNOTE B - \$1,280,000.00 Real Estate Mortgage Payable - USDA Rural Development, Dated October 9, 2001, at interest rate of 4.50% per annum. Interest only payable on October 9, 2002 and 2003. Principal and interest totaling \$5,876.00 payable on November 9, 2003 and each month thereafter until principal and interest are fully paid, except final installment, if not sooner paid, shall be due and payable forty (40) years from the date of this note.

FOOTNOTE C - \$129,000.00 Real Estate Mortgage Payable - USDA Rural Development, dated May 9, 2006, at interest rate of 4.375% per annum. Interest only payable on May 9, 2008 and 2009. Principal and interest totaling \$582.00 payable on June 9, 2009 and each month thereafter until principal and interest are fully paid, except final installment, if not sooner paid, shall be due and payable forty (40) years from the date of this note.

FOOTNOTE D - \$3,997,000.00 Real Estate Mortgage Payable - USDA Rural Development, dated May 5, 2015, at interest rate of 2.75% per annum. Principal and interest totaling \$13,750.00 payable on December 15, 2015 and each month thereafter until principal and interest are fully paid, except final installment, if not sooner paid, shall be due and payable forty (40) years from the date of this note.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

FOOTNOTE E - Financing (Capital Acquisition) Leases for a copier. Payments of \$179.95 are due monthly until January 15, 2015 and then a \$1 buyout. The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$6,766.00
Interest	<u>1,872.60</u>
TOTAL	<u>\$8,638.60</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The annual requirements to amortize all debt outstanding, except compensated absences, as of December 31, 2015, are as follows:

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

Year Ending December 31,	Real Estate Mortgage Payable USDA Footnote A		Real Estate Mortgage Payable USDA Footnote B		Real Estate Mortgage Payable USDA Footnote C	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	23,954.13	47,649.87	22,719.66	47,792.34	5,243.66
2017	25,054.58	46,549.42	23,763.41	46,748.59	5,477.73	4,506.27
2018	26,205.57	45,398.43	24,855.06	45,656.94	5,722.25	4,261.75
2019	27,409.46	44,194.54	25,996.93	44,515.07	5,977.68	4,006.32
2020	28,668.62	42,935.38	27,191.21	43,320.79	6,244.49	3,739.51
2021-2025	164,351.28	193,668.72	155,881.49	196,678.51	35,660.99	14,259.01
2026-2030	205,734.18	152,285.82	195,131.83	157,428.17	44,363.13	5,556.87
2031-2035	257,537.17	100,482.83	244,265.22	108,294.78	1,978.79	79.54
2036-2040	310,121.51	35,964.49	305,770.09	46,789.91		
2041-2045			45,795.64	1,212.36		
2046-2050						
2051-2055						
Totals	<u><u>1,069,036.50</u></u>	<u><u>709,129.50</u></u>	<u><u>1,071,370.54</u></u>	<u><u>738,437.46</u></u>	<u><u>110,668.72</u></u>	<u><u>41,149.61</u></u>

Year Ending December 31,	Real Estate Mortgage Payable USDA Footnote D		Financing (Capital Acquisition) Lease		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	56,683.09	108,316.91	1,557.35	602.05	110,157.89	209,101.51
2017	58,261.71	106,738.29	1,764.29	395.11	114,321.72	204,937.68
2018	59,884.25	105,115.75	1,998.70	160.70	118,665.83	200,593.57
2019	61,551.97	103,448.04	179.09	1.86	121,115.13	196,165.83
2020	63,266.15	101,733.85			125,370.47	191,729.53
2021-2025	343,761.61	481,238.39			699,655.37	885,844.63
2026-2030	394,370.59	430,629.41			839,599.73	745,900.27
2031-2035	452,430.34	372,569.66			956,211.52	581,426.81
2036-2040	519,037.71	305,962.29			1,134,929.31	388,716.69
2041-2045	595,451.06	229,548.94			641,246.70	230,761.30
2046-2050	683,114.04	141,885.96			683,114.04	141,885.96
2051-2055	675,942.44	43,031.05			675,942.44	43,031.05
Totals	<u><u>3,963,754.96</u></u>	<u><u>2,530,218.54</u></u>	<u><u>5,499.43</u></u>	<u><u>1,159.72</u></u>	<u><u>6,220,330.15</u></u>	<u><u>4,020,094.83</u></u>

At December 31, 2015, the District had a balance of \$158,725.00 in the USDA Rural Development Reserve Fund on an average loan installment of \$158,725.00.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

10. CONTRIBUTIONS IN AID OF CONSTRUCTION

Hook Up Fees:

Hookup Fees (1 @ \$335.00)	\$ 335.00
Standby (1230 @ \$350.00)	430,500.00
First Class (25 @ \$400.00)	10,000.00
Second Class (70 @ \$450.00)	31,500.00
Third Class (218 @ \$500.00)	109,000.00
Hookup Fees (1 @ \$550.00)	550.00
Hookup Fees (535 @ \$650.00)	347,750.00
Hookup Fees (472 @ \$1,000.00)	472,000.00
Hookup Fees (101 @ \$1,250.00)	126,250.00
Hookup Fees (1 @ \$1,470.00)	1,470.00
Hookup Fees (44 @ \$1,500.00)	66,000.00
Hookup Fees (219 @ \$1,764.00)	386,316.00
Hookup Fees (12 @ \$2,000.00)	24,000.00
Hookup Fees (5 @ \$4,000.00)	20,000.00
Hookup Fees (1 @ \$5,000.00)	5,000.00
Campground Hookup Fees (1 @ \$3,192.00)	3,192.00
Campground Hookup Fees (1 @ \$3,920.00)	3,920.00
Special (50 @ \$175.00)	8,750.00
Special (3 @ \$200.00)	600.00
Special (2 @ \$225.00)	450.00
Special (11 @ \$250.00)	2,750.00
Special (6 @ \$1,000.00)	6,000.00
Special (1 @ \$3,255.00)	3,255.00
Special (1 @ \$5,775.00)	5,775.00
Special (1 @ \$14,731.00)	14,731.00
Special (1 @ \$40,000.00)	40,000.00
Total	<u>\$ 2,120,094.00</u>

USDA Rural Development - Grants	\$ 5,405,950.00
Economic Development Administration - Grants	500,000.00
Community Development Block Grants	3,110,156.70
Indian (Public) Health Service	1,128,011.19
State of South Dakota – Grants and Assistance	1,829,181.25
Department of Transportation — Reimbursements	326,983.00
Randall RC&D Grant	2,500.00
Corps of Engineers — Hook-ups & Additional Service	31,275.30
Good Intention Fees	10,466.40
Federal Emergency Management Assistance	75,740.86
Davison Rural Water	2,500.00
South Central Water Development District Grants	114,775.00
Tank Upgrades	5,580.00
Harrison Project	3,800.00
Yankton Sioux Tribe Expense Reimbursement	35,827.08
Marty Line	236,398.31
Feasibility Studies	700.00
BIA Road Project	25,432.63
Gifts	1,525.00
Loop Lines — Town of Dante	808.70

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

Pease Creek Cost Share	37,000.00
Share of Cross-Overs — City of Lake Andes	796.00
North Point Clean-Out (23 @ \$20.00)	460.00
North Point Restoration	28,000.00
North Wheeler Project	2,650.00
West Armour Project	9,900.00
Share of Harrison Road Project — Douglas County	4,140.00
1978-2006 Line Dedications	603,334.79
Hydrants	7,273.00
Service Lines — Users	26,012.72
Charles Mix County	33,604.15
Other User Extensions	661,944.94
Interior to Exterior Changes	26,000.00
Miscellaneous	4,631.51
Total	<u>\$ 14,293,358.53</u>
 TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	 <u>\$ 16,413,452.53</u>

11. PRIOR PERIOD ADJUSTMENTS

The District 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*. The 2014 financial statements were not restated since an unmodified opinion dated March 19, 2015 was issued on those statements. 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:

Net Position January 1, 2015, as previously reported	\$21,527,355.34
Restatement for pension accounting:	
Net Pension Asset	225,468.40
Pension related Deferred Outflows of Resources	184,756.99
Pension related Deferred Inflows of Resources	(261,130.41)
Net Position January 1, 2015, as restated	<u>\$21,676,450.32</u>

12. 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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

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 1st 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 District's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$42,235.56, \$34,263.89, and \$32,042.29, 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 District as of this measurement period and reported by the District as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$3,703,700.63
Less proportionate share of total pension liability	<u>\$3,557,935.27</u>
Proportionate share of net pension liability (asset)	<u>\$ (145,765.36)</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
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 (Continued)

At December 31, 2015, the District reported a liability (asset) of \$(145,765.36) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the District's proportion was .0343682%, which is an increase of .0030731% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the District recognized pension expense (revenue) of 13,020.60. At December 31, 2015 the District 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.	\$29,846.12	
Changes in assumption.	\$115,582.75	
Net Difference between projected and actual earnings on pension plan investments.	\$89,045.58	\$215,079.57
Changes in proportion and difference between District contributions and proportionate share of contributions.		\$9,935.77
District contributions subsequent to the measurement date.	<u>\$23,087.75</u>	
TOTAL	<u>\$257,562.20</u>	<u>\$225,015.34</u>

\$19,147.81 reported as deferred outflow of resources related to pensions resulting from District 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 expense (revenue) as follows:

Year Ended December 31:	
2016	\$ 6,907.01
2017	\$ 6,907.01
2018	\$(18,581.74)
2019	<u>\$ 24,162.61</u>
TOTAL	<u>\$19,394.89</u>

NOTES TO THE FINANCIAL STATEMENTS
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 (Continued)

Actuarial Assumptions:

The total pension liability (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	2.0%	0.8%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (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

NOTES TO THE FINANCIAL STATEMENTS
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 (Continued)

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 liability (asset).

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

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the District's proportionate share of the net pension liability (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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net pension liability (asset)	\$366,889.77	\$(145,765.36)	\$(563,791.46)

Pension Plan Fiduciary Net Position:

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

13. RISK MANAGEMENT

The following is a brief summary of insurance and bonds in force at December 31, 2015. There are numerous exclusions, endorsements, exceptions, conditions, etc., to the coverage as shown below so each specific policy should be reviewed when analyzing coverage.

NOTES TO THE FINANCIAL STATEMENTS
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 (Continued)

SUMMARY OF INSURANCE:

<u>PROPERTY INSURED & TYPE OF COVERAGE</u>	<u>AMOUNT</u>
<u>Allied World Assurance Company – Policy No. 5105-1363-01</u>	
Buildings & Contents, Reservoirs & Standpipes, Pneumatic Stations, Buried Steel Vaults, Booster Station Vaults, Pressure Steel Control Valves, Steel Storage Tanks, Etc.	Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief, Replacement Cost, \$1,000 Deductible Applies \$18,499,604.00
<u>Allied World Assurance Company – Policy No. 5105-1363-01</u>	
All Employees, Directors and Officers	Employee Dishonesty, \$1,000.00 Deductible Forgery & Alteration, Theft, Disappearance, & Destruction, \$1,000.00 Deductible Computer Fraud, \$1,000.00 Deductible Robbery & Safe Burglary, \$1,000.00 Deductible Funds Transfer Fraud, \$1,000.00 Deductible Money Orders and Counterfeit Paper, \$1,000.00 Deductible
	\$ 500,000.00 \$ 250,000.00 \$ 100,000.00 \$ 5,000.00 \$ 100,000.00
<u>Allied World Assurance Company – Policy No. 5105-1363-01</u>	
Management Liability	Per Claim Aggregate (Limit) Defense Expense Injunctive Relief
	\$1,000,000.00 \$3,000,000.00 \$5,000.00
<u>Allied World Assurance Company – Policy No. 5105-1363-01</u>	
General Liability: Comprehensive General Liability Including Broad Form CGL, Contractual Liability, & Underground Coverage	Bodily Injury Each Occurrence (Limit) Aggregate (Limit) Property Damage Each Occurrence (Limit) Aggregate (Limit)
	\$1,000,000.00 \$3,000,000.00 \$1,000,000.00 \$3,000,000.00
Premises Medical Payments Fire Legal Liability	\$ 10,000.00 \$1,000,000.00
<u>Allied World Assurance Company – Policy No. 5105-1363-01</u>	
Contractors Equipment (Per Schedule)	Special Form – Actual Cash Value \$1,000.00 Deductible
	\$ 113,749.00
Blanket Tools and Equipment	Inland Marine – Replacement Cost, Max per Item: \$10,000.00, \$1,000.00 Deductible
	\$ 28,700.00
<u>Darwin National Assurance Company Inc. – Policy No. 5106-1363-01</u>	
Automobile	Single Limit Liability Medical Payments Uninsured Motorists Comprehensive \$500.00 Deductible Collision \$500.00 Deductible
	\$1,000,000.00 \$ 5,000.00 \$1,000,000.00 A.C.V. A.C.V.
<u>Allied World Assurance Company – Policy No. 5107-1363-01</u>	
Excess Liability	Commercial General Liability Comprehensive Automobile & Employers Liability – Workmen's Compensation: Each Occurrence (Limit) Aggregate (Limit)
	\$1,000,000.00 \$1,000,000.00
<u>Allied World Assurance Company – Policy No. 5108-1363-01</u>	
Cyber Liability	Internet Security \$2,500.00 Deductible
	\$1,000,000.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (Continued)

<u>First Dakota Indemnity – Policy No. WC-020-0000765-2015A</u>		
Workmen's Compensation & Employer's Liability	Bodily Injury By Accident Each Accident	\$ 500,000.00
	Bodily Injury By Disease Each Employee	\$ 500,000.00
	Policy Limit	\$ 500,000.00
<u>Western Surety Company – Policy No. 62049102N00</u>		
Plant Manager	Notary Bond Policy Limit	\$ 5,000.00
<u>Western Surety Company – Policy No. 62049124N00</u>		
Comptroller	Notary Bond Policy Limit	\$ 5,000.00

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

Employee Health Insurance:

The District does not provide health insurance for its employees. In lieu of health insurance, the District pays each employee \$6,300 annually to provide their own health insurance. Employees are required to show proof of insurance to receive this benefit.

Liability Insurance:

The District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation:

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

Unemployment Benefits:

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

14. EXEMPTION FROM FEDERAL INCOME TAX

The body of a letter dated October 8, 1976, from the Internal Revenue Service to Owen R. Wipf, Attorney At Law, Wagner, SD is as follows:

“This is in reply to your letter dated September 22, 1976, relative to the tax status for Water Conservancy District.

Based on the information furnished, it would appear that the corporation formed under Chapter 46-16 would be similar to a township or municipality and therefore would be exempt from filing an application for recognition of exemption.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

Since you would be considered to be a political subdivision of the State of South Dakota, you are exempt from Federal Income Tax under Section 115 of the Internal Revenue Code.

If we can be of any further assistance, please feel free to contact this office at 612-725-7344.

This is not a determination letter."

15. SIGNIFICANT CONTINGENCIES - LITIGATION:

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

16. RESERVE FUNDS PAYABLE

The RECD reserve requirement on loans secured for the Aurora-Brule water project required that Davison Rural Water System and Aurora-Brule Rural Water System make a monthly payment to Randall Community Water District. The loan reserve requirements were met in April 2012, and monthly payments are no longer required. Interest earned on the reserve is reimbursed back when the reserve certificates of deposits mature. Randall Community Water District will be required to pay back the reserve balance to Davison Rural Water System and Aurora-Brule Rural Water System when the loan is paid in full.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0343682%
District's proportionate share of net pension liability (asset)	\$ (146)
District's covered-employee payroll	\$ 627
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.29%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104%

The amounts presented were determined as of 06/30/2015.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 42
Contributions in relation to the contractually required contribution	<u>\$ 42</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 704
Contributions as a percentage of covered-employee payroll	6.0%

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF REVENUE
For Calendar Years 2014 and 2015 and 2015 Budgeted Revenue
SCHEDULE A

	Calendar Year 2014	Increase or (Decrease)	Calendar Year 2015	2015 Budget
<u>OPERATING REVENUE:</u>				
Water Sales - Rural Farm	1,448,827.39	28,261.15	1,477,088.54	1,350,000.00
Water Sales - Rural Pasture	289,165.45	14,348.50	303,513.95	225,000.00
Water Sales - Cabins	144,047.05	8,660.75	152,707.80	125,000.00
Water Sales - Bulk Users	1,411,359.50	32,036.60	1,443,396.10	1,305,000.00
Water Sales - Other Users	14,983.95	(1,255.99)	13,727.96	10,000.00
Late Payment Fees	11,254.43	9,073.09	20,327.52	8,000.00
Reconnect Fees	2,100.00	1,985.00	4,085.00	1,000.00
Miscellaneous - All Other	7,033.73	(5,200.25)	1,833.48	2,000.00
<u>TOTALS TO EXHIBIT II</u>	<u>3,328,771.50</u>	<u>87,908.85</u>	<u>3,416,680.35</u>	<u>3,026,000.00</u>
<u>TOTALS OVER (UNDER) BUDGET</u>			<u>390,680.35</u>	
<u>OTHER INCOME - CASH:</u>				
Interest Earned	8,930.99	4,069.58	13,000.57	6,000.00
Dividend Income - Cooperative	12,299.57	(522.46)	11,777.11	0.00
<u>TOTALS TO EXHIBIT II</u>	<u>21,230.56</u>	<u>3,547.12</u>	<u>24,777.68</u>	<u>6,000.00</u>
<u>TOTALS OVER (UNDER) BUDGET</u>			<u>18,777.68</u>	
<u>OTHER INCOME - NONCASH:</u>				
Patronage Capital Credits - Cooperative	39,723.12	(25,599.66)	14,123.46	0.00
<u>TOTALS TO EXHIBIT II</u>	<u>39,723.12</u>	<u>(25,599.66)</u>	<u>14,123.46</u>	<u>0.00</u>
<u>TOTALS OVER (UNDER) BUDGET</u>			<u>14,123.46</u>	

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF EXPENSES
Calendar Years 2014 and 2015
SCHEDULE B

	Calendar Year 2014	Increase or (Decrease)	Calendar Year 2015
<u>INTAKES:</u>			
Repairs and Maintenance	65,514.17	44,185.85	109,700.02
Supplies and Material	0.00	0.00	0.00
Electricity	193,519.73	8,938.91	202,458.64
Inventory Adjustment	0.00	0.00	0.00
TOTAL INTAKES	259,033.90	53,124.76	312,158.66
<u>PLANTS:</u>			
Wages	127,520.63	80,238.11	207,758.74
Payroll Taxes	9,769.94	1,218.66	10,988.60
SD Retirement Contribution	8,008.22	795.30	8,803.52
Repairs and Maintenance	35,893.34	(6,495.34)	29,398.00
Supplies and Materials	1,847.87	2,167.55	4,015.42
Water Treatment Chemicals	303,900.92	(51,552.28)	252,348.64
Postage	426.30	154.40	580.70
Transportation	11,246.79	1,785.95	13,032.74
Electricity	230,274.06	(6,035.85)	224,238.21
Garbage Service	756.00	(72.00)	684.00
Heat	9,062.00	3,317.89	12,379.89
Telephone	4,673.92	176.99	4,850.91
Water Samples & Fees	3,497.00	5,529.50	9,026.50
Miscellaneous-All Other	286.52	543.39	829.91
TOTAL PLANTS	747,163.51	31,772.27	778,935.78
<u>DISTRIBUTION:</u>			
Wages	262,971.55	67,278.18	330,249.73
Payroll Taxes	13,494.37	8,446.05	21,940.42
SD Retirement Contribution	11,625.73	3,379.04	15,004.77
Line Location Fees	1,585.08	(93.66)	1,491.42
Other Insurance	38,408.15	(203.91)	38,204.24
Rentals	540.00	11,184.75	11,724.75
Repairs and Maintenance	258,407.44	(118,071.49)	140,335.95
Long-Term Maintenance	180,967.50	(180,967.50)	0.00
Supplies and Materials	17,268.98	(1,338.73)	15,930.25
Postage	3,934.24	276.61	4,210.85
Transportation	63,907.04	(8,846.56)	55,060.48
Electricity	123,665.62	(21,950.88)	101,714.74
Garbage Service	963.00	135.98	1,098.98
Heat	4,794.73	(1,713.64)	3,081.09
Telephone	8,264.60	2,339.68	10,604.28
Water & Sewer	305.74	(39.98)	265.76
Miscellaneous-All Other	6,463.29	5,081.60	11,544.89
TOTAL DISTRIBUTION	997,567.06	(235,104.46)	762,462.60

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF EXPENSES
Calendar Years 2014 and 2015
SCHEDULE B

	Calendar Year 2014	Increase or (Decrease)	Calendar Year 2015
<u>ADMINISTRATION AND GENERAL:</u>			
Wages	151,786.08	21,022.83	172,808.91
Payroll Taxes-FICA	16,761.66	2,065.91	18,827.57
Payroll Taxes-State & Federal			
Unemployment (All Departments)	674.60	140.99	815.59
Group Insurance	4,324.86	3,287.68	7,612.54
SD Retirement Contribution	12,306.65	813.79	13,120.44
Other Insurance & Bond Premiums	4,163.97	334.92	4,498.89
Professional Fees-Legal, Consulting, and Accounting	69,835.78	21,101.79	90,937.57
Professional Fees-Labor Relations	882.90	(882.90)	0.00
Publishing	1,097.15	2,420.01	3,517.16
Rentals	262.00	(150.00)	112.00
Repairs and Maintenance	4,843.00	(409.60)	4,433.40
Supplies and Materials	8,641.37	5,698.09	14,339.46
Postage	316.19	60.36	376.55
Transportation & Other Travel	5,362.76	721.08	6,083.84
Electricity	2,499.99	151.29	2,651.28
Heat	1,247.50	(721.30)	526.20
Telephone	5,190.47	1,586.11	6,776.58
Water & Sewer	650.86	154.18	805.04
Dues & Subscriptions	12,495.51	(6,602.32)	5,893.19
Miscellaneous-All Other	12,350.18	8,083.30	20,433.48
TOTAL ADMINISTRATION AND GENERAL	315,693.48	58,876.21	374,569.69
TOTAL DEPARTMENT OPERATING AND MAINTENANCE EXPENSES TO EXHIBIT II	2,319,457.95	(91,331.22)	2,228,126.73
<u>INTEREST EXPENSE:</u>			
Interest - Long Term Debt	103,672.29	67,239.69	170,911.98
TOTAL INTEREST EXPENSE TO EXHIBIT II	103,672.29	67,239.69	170,911.98

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
COMPARATIVE STATEMENT OF DEPRECIATION AND AMORTIZATION EXPENSES
Calendar Years 2014 and 2015
SCHEDULE C

	Calendar Year 2014	Increase or (Decrease)	Calendar Year 2015
<u>DEPRECIATION AND AMORTIZATION:</u>			
<u>INTAKES:</u>			
Structure & Improvements	3,111.79	(10.66)	3,101.13
Lines	7,333.44	0.00	7,333.44
Pumps	4,990.19	0.00	4,990.19
Equipment	236.87	0.00	236.87
Mains	1,692.63	0.00	1,692.63
TOTAL INTAKES	17,364.92	(10.66)	17,354.26
<u>PLANTS:</u>			
Structure & Improvements	49,974.25	168.94	50,143.19
Water Treatment Equipment	28,699.20	(3.10)	28,696.10
Plant Equipment	890.00	491.70	1,381.70
High Service Pumps	11,747.05	0.00	11,747.05
Lab Equipment	1,696.87	(769.37)	927.50
Transportation Equipment	1,695.35	2,749.09	4,444.44
TOTAL PLANTS	94,702.72	2,637.26	97,339.98
<u>DISTRIBUTION:</u>			
Generators	4,616.62	194.57	4,811.19
Structures & Improvements	1,016.06	(2.27)	1,013.79
Booster Stations	79,866.32	513.54	80,379.86
Reservoirs & Standpipes	100,434.28	(2,395.54)	98,038.74
Mains	497,991.48	4,019.46	502,010.94
Services	120,551.69	4,232.39	124,784.08
Hydrants	1,678.17	2.40	1,680.57
Pressure Relief Valves	9,774.68	173.62	9,948.30
Communication Equipment	54,547.35	1,050.07	55,597.42
Tools & Shop Equipment	12,502.42	20,986.38	33,488.80
Transportation Equipment	18,812.50	6,437.51	25,250.01
TOTAL DISTRIBUTION	901,791.57	35,212.13	937,003.70
<u>ADMINISTRATION AND GENERAL:</u>			
Structures & Improvements	8,046.04	0.00	8,046.04
Office Furniture & Equipment	12,121.13	10,173.07	22,294.20
TOTAL ADMINISTRATION AND GENERAL	20,167.17	10,173.07	30,340.24
TOTAL DEPRECIATION TO EXHIBIT II	1,034,026.38	48,011.80	1,082,038.18

RANDALL COMMUNITY WATER DISTRICT
Lake Andes, South Dakota
STATISTICAL DATA
For Calendar Years 2014 and 2015
SCHEDULE D

	December 2014	December 2015	Calendar Year 2014	Calendar Year 2015
<u>CUSTOMER SALES REVENUE DATA:</u>				
<u>Rural Farm:</u>				
Number Receiving Service	1,687	1,713		
Number of Minimum Billings	155	176		
Gallons Sold	36,141,000	33,481,000	508,957,000	5,083
Dollar Income	\$ 111,318.61	\$ 107,448.67	\$ 1,448,827.39	\$ 1,477,088.54
<u>Rural Pasture:</u>				
Number Receiving Service	622	620		
Dollar Income	\$ 1,324.55	\$ (192.00)	\$ 289,165.45	\$ 303,513.95
<u>Cabins:</u>				
Number Receiving Service	321	321		
Dollar Income	\$ 2,106.70	\$ 3,694.75	\$ 144,047.05	\$ 152,707.80
<u>Bulk Users:</u>				
Number Receiving Service	15	15		
Gallons Sold	32,462,000	40,458,000	537,707,000	537,525,000
Dollar Income	\$ 98,579.40	\$ 121,018.70	\$ 1,411,359.50	\$ 1,443,396.10
<u>Other Users:</u>				
Gallons Sold	440,000	295,000	5,636,000	5,375,000
Dollar Income	\$ 1,334.50	\$ 519.56	\$ 14,983.95	\$ 13,727.96

**RANDALL COMMUNITY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures 2015</u>
Department of Agriculture: Direct Federal Funding: Water and Waste Disposal Systems for Rural Communities (Note 2)	10.760	<u>3,997,000.00</u>
Total Department of Agriculture		<u>3,997,000.00</u>
 GRAND TOTAL		 <u><u>3,997,000.00</u></u>

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the municipality and is presented on the modified cash basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: This represents a Major Federal Financial Assistance Program.

Note 3: The District had the following loan balances outstanding at December 31, 2015. The loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>	<u>Included as Federal Expenditure on this Schedule for 2015</u>
Water and Waste Disposal Systems for Rural Communities	10.760	<u>6,214,830.72</u>	<u>3,997,000.00</u>