

**MUNICIPALITY OF GEDDES  
GEDDES, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2009 TO DECEMBER 31, 2009**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF GEDDES

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2009

MAYOR:

Jerry Ackley

GOVERNING BOARD:

Dan Schulte – President  
Carol Oberbroekling – Vice-President  
Sharon Ackley  
Shawn DuFrain  
Ron Dufek  
Mike Krietlow

FINANCE OFFICER:

Colleen Jaeger

ATTORNEY:

Stekly Law Office

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

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*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
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**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**

Municipal Council  
Municipality of Geddes  
Geddes, South Dakota

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Geddes, South Dakota (Municipality), as of December 31, 2009 for the year then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 31, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Municipality's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2009-01 to be a material weakness.

**Compliance and Other Matters**

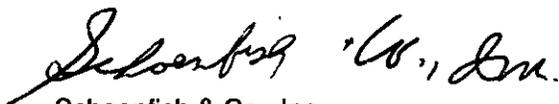
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

The Municipality of Geddes's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the Municipality's response and, accordingly, we express no opinion on it.

We also noted certain additional matters that we have reported to the management of the Municipality in a separate communication dated August 24, 2010.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Municipality of Geddes, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 § \_\_.320, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 31, 2010

*Schoenfish & Co., Inc.*

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Municipality of Geddes  
Geddes, South Dakota

**Compliance**

We have audited the compliance of Municipality of Geddes, South Dakota (Municipality), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Municipality's management. Our responsibility is to express an opinion on the Municipality's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Municipality's compliance with those requirements.

In our opinion, the Municipality of Geddes, South Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Internal Control Over Compliance**

The management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Municipality's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Municipality's internal

control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we consider item 2009-01 to be a material weakness.

The Municipality of Geddes's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the Municipality's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the Municipality of Geddes, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §\_\_\_.320, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 31, 2010

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding:

Deficiencies existed in internal accounting control, procedures and record keeping, thereby diminishing reasonable assurances that transactions were properly executed and recorded and that assets were properly safeguarded. The items of this comment that have not been corrected are restated as current audit finding number 2009-01.

Finding:

Errors and omissions were noted in the 1989, 1990, and 1991, annual financial statements prepared by city officials, resulting in inaccurate and incomplete information being presented. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unqualified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2009-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2009-01.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that are required to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See finding number 2009-01.
- g. The federal awards tested as major programs were:
  1. Community Development Block Grant/State Program CFDA No. 14.228
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. The Municipality of Geddes did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2009-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues. The federal programs affected are Community Development Block Grant/State Program, CFDA No. 14.228. This affects the reporting compliance requirements category. This is the third audit in which a similar comment has occurred.

Criteria:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

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

Recommendation:

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

Corrective Action Plan:

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

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit finds to report except for the lack of segregation of duties for revenues as reported in current audit finding number 2009-01.

CLOSING CONFERENCE

The audit findings were discussed with the officials during the course of the audit and with the Mayor and Finance officer on August 24, 2010.

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INDEPENDENT AUDITOR'S REPORT

Municipal Council  
Municipality of Geddes  
Geddes, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Geddes, South Dakota, as of December 31, 2009 and for the year then ended, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Municipality of Geddes's management. Our responsibility is to express opinions on the 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are the Municipality's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.c., the Municipality of Geddes, South Dakota, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, cash basis, of the governmental activities, business-type activities, and each major fund of the Municipality of Geddes as of December 31, 2009, and the respective changes in financial position and cash flows, modified cash basis, where applicable, thereof for each of the years then ended in conformity with accounting principles generally accepted in the United States of America with the basis of accounting described in Note 1.c.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010, on our consideration of the Municipality of Geddes's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules on pages 24 through 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Municipality of Geddes has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Long-Term Liabilities supplementary information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 31, 2010

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF GEDDES**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**December 31, 2009**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,886.14	142,817.12	144,703.26
Investments	126,246.20	32,115.05	158,361.25
<b>TOTAL ASSETS</b>	<b>128,132.34</b>	<b>174,932.17</b>	<b>303,064.51</b>
<b>NET ASSETS:</b>			
Unrestricted	128,132.34	174,932.17	303,064.51
<b>TOTAL NET ASSETS</b>	<b>128,132.34</b>	<b>174,932.17</b>	<b>303,064.51</b>

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

**MUNICIPALITY OF GEDDES**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2009**

Functions/Programs	Expenses	Program Receipts			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	59,880.68	640.00			(59,240.68)		(59,240.68)
Public Safety	742.08				(742.08)		(742.08)
Public Works	22,925.38		18,165.28		(4,760.10)		(4,760.10)
Culture and Recreation	5,864.03				(5,864.03)		(5,864.03)
Conservation and Development	3,916.89				(3,916.89)		(3,916.89)
Miscellaneous Expenditures		5,843.83			5,843.83		5,843.83
<b>Total Governmental Activities</b>	<b>93,329.06</b>	<b>6,483.83</b>	<b>18,165.28</b>	<b>0.00</b>	<b>(68,679.95)</b>	<b>0.00</b>	<b>(68,679.95)</b>
<b>Business-type Activities:</b>							
Water	27,368.08	27,503.68				135.60	135.60
Sewer	575,541.60	45,261.75		257,987.21		(272,292.64)	(272,292.64)
<b>Total Business-Type Activities</b>	<b>602,909.68</b>	<b>72,765.43</b>	<b>0.00</b>	<b>257,987.21</b>		<b>(272,157.04)</b>	<b>(272,157.04)</b>
<b>Total Primary Government</b>	<b>696,238.74</b>	<b>79,249.26</b>	<b>18,165.28</b>	<b>257,987.21</b>	<b>(68,679.95)</b>	<b>(272,157.04)</b>	<b>(340,836.99)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					33,735.12		33,735.12
Sales Taxes					46,989.15		46,989.15
State Shared Revenues					3,151.41		3,151.41
Grants and Contributions not Restricted to Specific Programs					380.00		380.00
Unrestricted Investment Earnings					3,451.36		3,451.36
Miscellaneous Revenue					5,595.38	9,000.00	14,595.38
Long-Term Debt Issued						245,792.82	245,792.82
<b>Total General Revenues</b>					<b>93,302.42</b>	<b>254,792.82</b>	<b>348,095.24</b>
<b>Change in Net Assets</b>					<b>24,622.47</b>	<b>(17,364.22)</b>	<b>7,258.25</b>
<b>Net Assets - Beginning</b>					<b>103,509.87</b>	<b>192,296.39</b>	<b>295,806.26</b>
<b>NET ASSETS - ENDING</b>					<b>128,132.34</b>	<b>174,932.17</b>	<b>303,064.51</b>

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

**MUNICIPALITY OF GEDDES  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2009**

	<b>General Fund</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	1,886.14
Investments	126,246.20
<b>TOTAL ASSETS</b>	<b>128,132.34</b>
<b>FUND BALANCES:</b>	
Unreserved Fund Balances:	
Undesignated	128,132.34
<b>TOTAL FUND BALANCES</b>	<b>128,132.34</b>

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

**MUNICIPALITY OF GEDDES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2009**

	<b>General Fund</b>
<b>Revenues:</b>	
<b>Taxes:</b>	
General Property Taxes	33,282.14
General Sales and Use Taxes	46,989.15
Amusement Taxes	48.00
Penalties & Interest on Delinquent Taxes	404.98
<b>Total Taxes</b>	<b>80,724.27</b>
Licenses and Permits	40.00
<b>Intergovernmental Revenue:</b>	
<b>State Shared Revenue:</b>	
Bank Franchise Tax	887.37
Motor Vehicle Commercial Prorate	1,078.74
Liquor Tax Reversion	1,506.74
Motor Vehicle Licenses	4,206.32
Local Government Highway and Bridge Fund	9,628.95
<b>County Shared Revenue:</b>	
County Road Tax	511.97
County Wheel Tax	2,739.30
Other	757.30
<b>Total Intergovernmental Revenue</b>	<b>21,316.69</b>
<b>Miscellaneous Revenue:</b>	
Investment Earnings	3,451.36
Rentals	600.00
Contributions and Donations from Private Sources	380.00
Liquor Operating Agreement Income	5,843.83
Other	5,595.38
<b>Total Miscellaneous Revenue</b>	<b>15,870.57</b>
<b>Total Revenue</b>	<b>117,951.53</b>

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

**MUNICIPALITY OF GEDDES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2009**

	<u><b>General Fund</b></u>
<b>Expenditures:</b>	
General Government:	
Financial Administration	8,364.39
Other	51,516.29
Total General Government	59,880.68
Public Safety:	
Fire	742.08
Total Public Safety	742.08
Public Works:	
Highways and Streets	22,925.38
Total Public Works	22,925.38
Culture and Recreation:	
Recreation	5,864.03
Total Culture and Recreation	5,864.03
Conservation and Development:	
Economic Opportunity and Assistance (Industrial Development)	3,916.89
Total Conservation and Development	3,916.89
<b>Total Expenditures</b>	<b>93,329.06</b>
<b>Net Change in Fund Balance</b>	<b>24,622.47</b>
<b>Fund Balance - Beginning</b>	<b>103,509.87</b>
<b>FUND BALANCE - ENDING</b>	<b>128,132.34</b>

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

**MUNICIPALITY OF GEDDES**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2009**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	24,542.79	118,274.33	142,817.12
Investments		32,115.05	32,115.05
Total Current Assets	24,542.79	150,389.38	174,932.17
<b>TOTAL ASSETS</b>	24,542.79	150,389.38	174,932.17
 <b>NET ASSETS:</b>			
Unrestricted Net Assets	24,542.79	150,389.38	174,932.17
<b>TOTAL NET ASSETS</b>	24,542.79	150,389.38	174,932.17

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

**MUNICIPALITY OF GEDDES**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2009**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	27,503.68	45,261.75	72,765.43
Total Operating Revenue	27,503.68	45,261.75	72,765.43
<b>Operating Expenses</b>			
Other Current Expenses	27,368.08	4,701.93	32,070.01
Total Operating Expenses	27,368.08	4,701.93	32,070.01
Operating Income (Loss)	135.60	40,559.82	40,695.42
<b>Nonoperating Revenue (Expense):</b>			
Capital Assets Purchased		(567,617.13)	(567,617.13)
Debt Service (Principal)		(36.60)	(36.60)
Interest Expense		(3,185.94)	(3,185.94)
Long-Term Debt Issued		245,792.82	245,792.82
Other - Construction Refund		9,000.00	9,000.00
Total Nonoperating Revenue (Expense)	0.00	(316,046.85)	(316,046.85)
Income (Loss) Before Contributions	135.60	(275,487.03)	(275,351.43)
Capital Contributions		257,987.21	257,987.21
Change in Net Assets	135.60	(17,499.82)	(17,364.22)
Net Assets - Beginning	24,407.19	167,889.20	192,296.39
<b>NET ASSETS - ENDING</b>	24,542.79	150,389.38	174,932.17

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

**MUNICIPALITY OF GEDDES**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2009**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipt from Customers	27,503.68	45,261.75	72,765.43
Payment to Suppliers	(27,368.08)	(4,701.93)	(32,070.01)
Net Cash Provided (Used) by Operating Activities	135.60	40,559.82	40,695.42
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt		245,792.82	245,792.82
Capital Contributions		257,987.21	257,987.21
Purchase of Capital Assets		(567,617.13)	(567,617.13)
Principal Paid on Capital Debt		(36.60)	(36.60)
Interest Paid on Capital Debt		(3,185.94)	(3,185.94)
Other Receipts		9,000.00	9,000.00
Net Cash Provided (Used) by Capital and Related Financing Activities	0.00	(58,059.64)	(58,059.64)
Net Increase (Decrease) in Cash and Cash Equivalents	135.60	(17,499.82)	(17,364.22)
Cash and Cash Equivalents - Beginning	24,407.19	135,774.15	160,181.34
Cash and Cash Equivalents - Ending	24,542.79	118,274.33	142,817.12
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	135.60	40,559.82	40,695.42

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

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**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have not been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**a. Financial Reporting Entity:**

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

**b. Basis of Presentation:****Government-wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

**Governmental Funds:**

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

**Proprietary Funds:**

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

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

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

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

**c. Measurement Focus and Basis of Accounting:**

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

During 2009, the Municipality used the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus:**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with the limitations of the modified cash basis of accounting.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**Basis of Accounting:**

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

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

e. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

f. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

g. Proprietary Funds Revenue and Expense Classifications:

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

h. Cash and Cash Equivalents:

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

i. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components.

1. Restricted net assets – Consists of net assets 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.
2. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements

j. Application of Net Assets:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

	Year Ended 12/31/2009
General Fund:	
Other General Government	\$ 7,516.29

The Municipal Council plans to take the following actions to address these violations: Use contingency transfers and supplements when needed.

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

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

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

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

**Investments** – In general, SDCL 4-5-6 permits Municipality funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government, provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above and meeting the requirements of Section 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. These amounts are not material.

#### 4. PROPERTY TAXES

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

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

#### 5. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2009, the Municipality was not involved in any significant litigation.

#### 6. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2009, the Municipality managed its risks as follows:

##### Employee Health Insurance:

The Municipality does not purchase health insurance for its employees.

##### Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft of 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.

##### Worker's Compensation:

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GEDDES**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	33,000.00	33,000.00	33,282.14	282.14
General Sales and Use Taxes	50,000.00	50,000.00	46,989.15	(3,010.85)
Amusement Taxes	0.00	0.00	48.00	48.00
Penalties and Interest on Delinquent Taxes	5,000.00	5,000.00	404.98	(4,595.02)
<b>Total Taxes</b>	<b>88,000.00</b>	<b>88,000.00</b>	<b>80,724.27</b>	<b>(7,275.73)</b>
Licenses and Permits	0.00	0.00	40.00	40.00
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	0.00	0.00	887.37	887.37
Motor Vehicle Commercial Prorate	0.00	0.00	1,078.74	1,078.74
Liquor Tax Reversion	6,000.00	6,000.00	1,506.74	(4,493.26)
Motor Vehicle Licenses	4,000.00	4,000.00	4,206.32	206.32
Local Government Highway and Bridge Fund	0.00	0.00	9,628.95	9,628.95
Other	0.00	0.00	511.97	511.97
County Shared Revenue:				
County Road Tax	1,000.00	1,000.00	2,739.30	1,739.30
Other	17,000.00	17,000.00	757.30	(16,242.70)
<b>Total Intergovernmental Revenue</b>	<b>28,000.00</b>	<b>28,000.00</b>	<b>21,316.69</b>	<b>(6,683.31)</b>
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	3,451.36	3,451.36
Rentals	0.00	0.00	600.00	600.00
Contributions and Donations from Private Sources	0.00	0.00	380.00	380.00
Liquor Operating Agreement Income	0.00	0.00	5,843.83	5,843.83
Other	0.00	0.00	5,595.38	5,595.38
<b>Total Miscellaneous Revenue</b>	<b>0.00</b>	<b>0.00</b>	<b>15,870.57</b>	<b>15,870.57</b>
<b>Total Revenue</b>	<b>116,000.00</b>	<b>116,000.00</b>	<b>117,951.53</b>	<b>1,951.53</b>
<b>Expenditures:</b>				
General Government:				
Contingency	15,000.00	15,000.00		
Amount Transferred		0.00		15,000.00
Executive	10,000.00	10,000.00	0.00	10,000.00
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	15,000.00	15,000.00	8,364.39	6,635.61
Other	44,000.00	44,000.00	51,516.29	(7,516.29)
<b>Total General Government</b>	<b>85,000.00</b>	<b>85,000.00</b>	<b>59,880.68</b>	<b>25,119.32</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GEDDES**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	7,000.00	7,000.00	0.00	7,000.00
Fire	3,000.00	3,000.00	742.08	2,257.92
Total Public Safety	<u>10,000.00</u>	<u>10,000.00</u>	<u>742.08</u>	<u>9,257.92</u>
Public Works:				
Highways and Streets	58,125.00	58,125.00	22,925.38	35,199.62
Total Public Works	<u>58,125.00</u>	<u>58,125.00</u>	<u>22,925.38</u>	<u>35,199.62</u>
Culture and Recreation:				
Parks	6,000.00	6,000.00	5,864.03	135.97
Total Culture and Recreation	<u>6,000.00</u>	<u>6,000.00</u>	<u>5,864.03</u>	<u>135.97</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,000.00	5,000.00	3,916.89	1,083.11
Total Conservation and Development	<u>5,000.00</u>	<u>5,000.00</u>	<u>3,916.89</u>	<u>1,083.11</u>
Total Expenditures	<u>164,125.00</u>	<u>164,125.00</u>	<u>93,329.06</u>	<u>70,795.94</u>
Net Change in Fund Balances	<u>(48,125.00)</u>	<u>(48,125.00)</u>	<u>24,622.47</u>	<u>72,747.47</u>
Fund Balance - Beginning	<u>103,509.87</u>	<u>103,509.87</u>	<u>103,509.87</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u><u>55,384.87</u></u>	<u><u>55,384.87</u></u>	<u><u>128,132.34</u></u>	<u><u>72,747.47</u></u>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTE 1. Budgets and Budgetary Accounting:**

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

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

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

The Municipality did not encumber any amounts at December 31, 2009.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the modified cash basis of accounting.

**NOTE 2. GAAP/Budgetary Accounting Basis Differences:**

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

**MUNICIPALITY OF GEDDES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2009**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures 2009</u>
Department of Housing and Urban Development: Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Note 2)	14.228	<u>257,987.21</u>
Total Department of Housing and Urban Development		<u>257,987.21</u>
Department of Agriculture: Direct Federal Funding: Water and Waste Disposal Systems for Rural Communities	10.760	<u>245,792.82</u>
Total Department of Agriculture		<u>245,792.82</u>
General Services Administration: Indirect Federal Funding: SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note 4)	39.003	<u>6,478.10</u>
Total General Services Administration		<u>6,478.10</u>
<b>GRAND TOTAL</b>		<u><u>510,258.13</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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**Note 3:** The municipality had the following loan balances outstanding at December 31, 2009. 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 2009</u>
Water and Waste Disposal Systems for Rural Communities	10.760	305,309.49	245,792.82

**Note 4:** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality.

