

**MUNICIPALITY OF MOUNT VERNON
MOUNT VERNON, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2011 TO DECEMBER 31, 2011
AND
FOR THE YEAR JANUARY 1, 2012 TO DECEMBER 31, 2012**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MOUNT VERNON

MUNICIPAL OFFICIALS
DECEMBER 31, 2012

MAYOR:

Timothy Petersen

GOVERNING BOARD:

Thomas Koch, President
Russel Weinberg, Vice-President
Melinda Kristensen
Dan London
Julie Mahaffey
Kenneth Martish

FINANCE OFFICER:

Brenda McPeek

ATTORNEY:

Tim Bottum

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Mount Vernon
Mount Vernon, 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 cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Mount Vernon, South Dakota (Municipality), as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2012-001 to be a material weakness.

Compliance and Other Matters

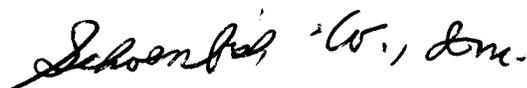
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 26, 2013

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 IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
 Municipality of Mount Vernon
 Mount Vernon, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Mount Vernon, South Dakota (Municipality) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2012. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Municipality of Mount Vernon 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 biennial period ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2012-001 to be a material weakness.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.
 Certified Public Accountants
 June 26, 2013

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SCHEDULE OF PRIOR AUDIT FINDINGS

The municipality has not had an audit in recent years. An Internal Control Review was performed on February 4, 2004, with the following weaknesses reported:

- a. The finance officer's surety bond coverage did not comply with the requirements of SDCL 9-14-6.1. The law requires a bond equal to the amount of cash on hand but coverage need not exceed \$150,000. The municipality's cash balances exceeded \$150,000 for eleven of the preceding twelve months while the surety bond coverage was only \$74,000.
- b. Four checks were signed by the mayor without the payees or amounts being entered. Checks should not be signed until fully completed and approved by the governing board.
- c. The finance officer did not issue prenumbered duplicate receipts for all revenues collected in violation of SDCL 9-22-3. Receipts were issued only for customers who paid in cash.
- d. The detailed subsidiary utility accounts receivable records were not reconciled to a general ledger control account.
- e. A subsidiary record of utility deposits collected from utility customers was not maintained. As a result, the municipality was not able to determine who was due a refund of this deposit upon termination of municipal services.
- f. The municipality did not properly maintain the following necessary accounting records:
 1. revenue budget record by fund,
 2. general fixed asset records, and
 3. enterprise fund fixed asset records.
- g. The governing board did not adopt a policy establishing the minimum cost of items that should be considered fixed asset of the municipality. In addition, the annual inventories of public personal property have not been completed in violation of SDCL 5-24-1.
- h. The finance officer did not properly reconcile the bank balances of the various municipal accounts to the balances recorded in the municipality's accounting records.

Items a, b, c, d, and h have been corrected. Items e, f, and g have not been corrected and are addressed in the management letter to the municipality.

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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 2012-001.
- c. Our audit did not disclose 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 2012-001.
- 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 2012-001.
- g. The federal awards tested as major programs were:
 1. Capitalization Grants for Clean Water State Revolving Funds CFDA No. 66.458
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. The Municipality of Mount Vernon did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2012-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues. The federal program affected is Capitalization Grants for Clean Water State Revolving Funds, CFDA No. 66.458. This affects the reporting compliance requirements category. This is the first 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
(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 Mount Vernon 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 Mount Vernon Mayor, Timothy Petersen, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Mount Vernon, 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 not current other audit findings to report except for the lack of segregation of duties as discussed in finding 2012-001 above.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the mayor and the finance officer on July 8, 2013.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Mount Vernon
Mount Vernon, South Dakota

Report on the Financial Statements

We have audited the accompanying cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Mount Vernon, South Dakota, (Municipality) as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1.c.; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a cash basis of accounting of the governmental activities, the business-type activities, and each major fund, of the Municipality of Mount Vernon as of December 31, 2012, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the cash basis of accounting financial statements that collectively comprise the Municipality's financial statements. The Budgetary Comparison Schedules, 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*, the Schedule of Expenditures of State Awards and the Long-Term Liabilities schedule 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
 Certified Public Accountants
 June 26, 2013

Schoenfish & Co., Inc.

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MUNICIPALITY OF MOUNT VERNON
STATEMENT OF NET POSITION - CASH BASIS
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	354,179.98	360,371.63	714,551.61
TOTAL ASSETS	<u>354,179.98</u>	<u>360,371.63</u>	<u>714,551.61</u>
NET POSITION:			
Restricted for:			
Debt Service Purposes	71,332.10		71,332.10
City Promotion Purposes	16,423.19		16,423.19
Equipment Repair and/or Replacement Purposes		10,000.00	10,000.00
Unrestricted	266,424.69	350,371.63	616,796.32
TOTAL NET POSITION	<u>354,179.98</u>	<u>360,371.63</u>	<u>714,551.61</u>

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended December 31, 2012

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	37,019.92	150.00			(36,869.92)		(36,869.92)
Public Safety	7,200.00				(7,200.00)		(7,200.00)
Public Works	120,805.20		17,345.35		(103,459.85)		(103,459.85)
Culture and Recreation	12,809.18				(12,809.18)		(12,809.18)
Conservation and Development	5,275.00				(5,275.00)		(5,275.00)
*Interest on Long-Term Debt	17,408.93				(17,408.93)		(17,408.93)
Total Governmental Activities	200,518.23	150.00	17,345.35	0.00	(183,022.88)		(183,022.88)
Business-type Activities:							
Water	90,213.46	90,823.34				609.88	609.88
Sewer	842,429.98	98,844.61		177,744.36		(565,841.01)	(565,841.01)
Garbage	40,576.05	38,416.29				(2,159.76)	(2,159.76)
Total Business-Type Activities	973,219.49	228,084.24	0.00	177,744.36		(567,390.89)	(567,390.89)
Total Primary Government	1,173,737.72	228,234.24	17,345.35	177,744.36	(183,022.88)	(567,390.89)	(750,413.77)
General Receipts:							
Taxes:							
Property Taxes					110,863.02		110,863.02
Sales Taxes					84,371.80		84,371.80
State Shared Receipts					4,893.67		4,893.67
Unrestricted Investment Earnings					202.49	488.07	690.56
Debt Issued						554,344.00	554,344.00
Miscellaneous Receipts					2,728.97	4,225.00	6,953.97
Total General Receipts					203,059.95	559,057.07	762,117.02
Change in Net Position					20,037.07	(8,333.82)	11,703.25
Net Position - Beginning					334,142.91	368,705.45	702,848.36
NET POSITION - ENDING					354,179.98	360,371.63	714,551.61

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

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

**MUNICIPALITY OF MOUNT VERNON
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2012**

	<u>General Fund</u>	<u>Third Penny Fund</u>	<u>Bond Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	266,424.69	16,423.19	71,332.10	354,179.98
TOTAL ASSETS	<u>266,424.69</u>	<u>16,423.19</u>	<u>71,332.10</u>	<u>354,179.98</u>
FUND BALANCES:				
Restricted		16,423.19	71,332.10	87,755.29
Assigned for Street Repair	10,000.00			10,000.00
Assigned for Equipment Replacement	5,000.00			5,000.00
Unassigned	251,424.69			251,424.69
TOTAL FUND BALANCES	<u>266,424.69</u>	<u>16,423.19</u>	<u>71,332.10</u>	<u>354,179.98</u>

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Third Penny Fund	Bond Debt Service Fund	Total
Receipts:				
Taxes:				
General Property Taxes	96,502.91		13,964.20	110,467.11
General Sales and Use Taxes	79,376.76	4,995.04		84,371.80
Amusement Taxes	12.00			12.00
Penalties & Interest on Delinquent Taxes	335.49		48.42	383.91
Total Taxes	176,227.16	4,995.04	14,012.62	195,234.82
Licenses and Permits	150.00	0.00	0.00	150.00
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	1,062.12			1,062.12
Liquor Tax Reversion	3,173.93			3,173.93
Motor Vehicle Licenses	4,949.26			4,949.26
Local Government Highway and Bridge Fund	12,373.10			12,373.10
County Shared Receipts:				
County Wheel Tax	22.99			22.99
Other	657.62			657.62
Total Intergovernmental Receipts	22,239.02	0.00	0.00	22,239.02
Miscellaneous Receipts:				
Investment Earnings	173.96	4.49	24.04	202.49
Other	2,728.97			2,728.97
Total Miscellaneous Receipts	2,902.93	4.49	24.04	2,931.46
Total Receipts	201,519.11	4,999.53	14,036.66	220,555.30

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Third Penny Fund	Bond Debt Service Fund	Total
Disbursements:				
General Government:				
Legislative	10,560.26			10,560.26
Financial Administration	16,997.49			16,997.49
Other	9,462.17			9,462.17
Total General Government	37,019.92	0.00	0.00	37,019.92
Public Safety:				
Police	7,200.00			7,200.00
Total Public Safety	7,200.00	0.00	0.00	7,200.00
Public Works:				
Highways and Streets	101,830.20			101,830.20
Total Public Works	101,830.20	0.00	0.00	101,830.20
Culture and Recreation:				
Parks	2,896.42	391.42		3,287.84
Libraries	8,521.34			8,521.34
Total Culture and Recreation	11,417.76	391.42	0.00	11,809.18
Conservation and Development:				
Economic Opportunity and Assistance (Industrial Development)	5,275.00			5,275.00
Total Conservation and Development	5,275.00	0.00	0.00	5,275.00
Debt Service	7,000.00	0.00	10,408.93	17,408.93
Capital Outlay	19,975.00	0.00	0.00	19,975.00
Total Disbursements	189,717.88	391.42	10,408.93	200,518.23
Net Change in Fund Cash Balance	11,801.23	4,608.11	3,627.73	20,037.07
Fund Cash Balance - Beginning	254,623.46	11,815.08	67,704.37	334,142.91
FUND CASH BALANCE - ENDING	266,424.69	16,423.19	71,332.10	354,179.98

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	75,708.40	258,040.83	26,622.40	360,371.63
Total Current Assets	75,708.40	258,040.83	26,622.40	360,371.63
TOTAL ASSETS	75,708.40	258,040.83	26,622.40	360,371.63
NET POSITION:				
Restricted for:				
Equipment Repair and/or Replacement		10,000.00		10,000.00
Unrestricted	75,708.40	248,040.83	26,622.40	350,371.63
TOTAL NET POSITION	75,708.40	258,040.83	26,622.40	360,371.63

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND CASH NET POSITION - CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
Operating Receipts:				
Charges for Goods and Services	88,804.09	32,237.32	38,416.29	159,457.70
Revenue Dedicated to Servicing Debt		66,607.29		66,607.29
Miscellaneous	2,019.25			2,019.25
Total Operating Receipts	90,823.34	98,844.61	38,416.29	228,084.24
Operating Disbursements:				
Personal Services	6,622.35	1,292.80	14,563.28	22,478.43
Other Current Disbursements	83,591.11	6,002.13	26,012.77	115,606.01
Capital Assets		796,347.32		796,347.32
Total Operating Disbursements	90,213.46	803,642.25	40,576.05	934,431.76
Operating Income (Loss)	609.88	(704,797.64)	(2,159.76)	(706,347.52)
Non-operating Receipts (Disbursements):				
Investment Earnings	9.00	473.68	5.39	488.07
Debt Service (Principal)		(31,000.00)		(31,000.00)
Interest Expense		(7,787.73)		(7,787.73)
Sale of Municipal Property			4,225.00	4,225.00
Long-Term Debt Issued		554,344.00		554,344.00
Total Non-operating Receipts (Disbursements)	9.00	516,029.95	4,230.39	520,269.34
Income (Loss) Before Contributions	618.88	(188,767.69)	2,070.63	(186,078.18)
Capital Contributions		177,744.36		177,744.36
Change in Net Cash Position	618.88	(11,023.33)	2,070.63	(8,333.82)
Net Cash Position - Beginning	75,089.52	269,064.16	24,551.77	368,705.45
NET CASH POSITION - ENDING	75,708.40	258,040.83	26,622.40	360,371.63

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF NET ASSETS - CASH BASIS
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	334,142.91	368,705.45	702,848.36
TOTAL ASSETS	<u>334,142.91</u>	<u>368,705.45</u>	<u>702,848.36</u>
NET ASSETS:			
Restricted for:			
Debt Service Purposes	67,704.37		67,704.37
City Promotion Purposes	11,815.08		11,815.08
Equipment Repair and/or Replacement Purposes		5,000.00	5,000.00
Unrestricted	254,623.46	363,705.45	618,328.91
TOTAL NET ASSETS	<u>334,142.91</u>	<u>368,705.45</u>	<u>702,848.36</u>

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended December 31, 2011

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	35,776.09	900.00			(34,876.09)		(34,876.09)
Public Safety	10,669.39				(10,669.39)		(10,669.39)
Public Works	88,406.25		13,822.33		(74,583.92)		(74,583.92)
Health and Welfare	2,655.39				(2,655.39)		(2,655.39)
Culture and Recreation	20,862.44				(20,862.44)		(20,862.44)
Conservation and Development	3,320.90				(3,320.90)		(3,320.90)
*Interest on Long-Term Debt	20,710.99				(20,710.99)		(20,710.99)
Total Governmental Activities	182,401.45	900.00	13,822.33	0.00	(167,679.12)		(167,679.12)
Business-type Activities:							
Water	75,951.32	85,152.76				9,201.44	9,201.44
Sewer	2,312,351.74	99,784.05		607,319.08		(1,605,248.61)	(1,605,248.61)
Garbage	31,394.67	37,492.78				6,098.11	6,098.11
Total Business-Type Activities	2,419,697.73	222,429.59	0.00	607,319.08		(1,589,949.06)	(1,589,949.06)
Total Primary Government	2,602,099.18	223,329.59	13,822.33	607,319.08	(167,679.12)	(1,589,949.06)	(1,757,628.18)
General Receipts:							
Taxes:							
Property Taxes					110,023.56		110,023.56
Sales Taxes					81,622.63		81,622.63
State Shared Receipts					4,655.83		4,655.83
Unrestricted Investment Earnings					288.90	1,181.30	1,470.20
Debt Issued						1,745,656.00	1,745,656.00
Miscellaneous Receipts					3,799.19		3,799.19
Total General Receipts					200,390.11	1,746,837.30	1,947,227.41
Change in Net Assets					32,710.99	156,888.24	189,599.23
Net Assets - Beginning					301,431.92	211,817.21	513,249.13
NET ASSETS - ENDING					334,142.91	368,705.45	702,848.36

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

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

**MUNICIPALITY OF MOUNT VERNON
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2011**

	<u>General Fund</u>	<u>Third Penny Fund</u>	<u>Bond Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	254,623.46	11,815.08	67,704.37	334,142.91
TOTAL ASSETS	<u>254,623.46</u>	<u>11,815.08</u>	<u>67,704.37</u>	<u>334,142.91</u>
FUND BALANCES:				
Restricted	<u> </u>	11,815.08	67,704.37	79,519.45
Assigned for Street Repair	10,000.00	<u> </u>	<u> </u>	10,000.00
Assigned for Equipment Replacement	5,000.00	<u> </u>	<u> </u>	5,000.00
Unassigned	239,623.46	<u> </u>	<u> </u>	239,623.46
TOTAL FUND BALANCES	<u>254,623.46</u>	<u>11,815.08</u>	<u>67,704.37</u>	<u>334,142.91</u>

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund	Third Penny Fund	Bond Debt Service Fund	Total
Receipts:				
Taxes:				
General Property Taxes	95,731.62		13,692.13	109,423.75
General Sales and Use Taxes	77,047.85	4,574.78		81,622.63
Amusement Taxes	12.00			12.00
Penalties & Interest on Delinquent Taxes	512.44		75.37	587.81
Total Taxes	173,303.91	4,574.78	13,767.50	191,646.19
Licenses and Permits	900.00	0.00	0.00	900.00
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	971.15			971.15
Liquor Tax Reversion	2,982.70			2,982.70
Motor Vehicle Licenses	4,061.93			4,061.93
Local Government Highway and Bridge Fund	9,734.00			9,734.00
County Shared Receipts:				
County Wheel Tax	26.40			26.40
Other	701.98			701.98
Total Intergovernmental Receipts	18,478.16	0.00	0.00	18,478.16
Miscellaneous Receipts:				
Investment Earnings	220.85	1.51	66.54	288.90
Other	3,799.19			3,799.19
Total Miscellaneous Receipts	4,020.04	1.51	66.54	4,088.09
Total Receipts	196,702.11	4,576.29	13,834.04	215,112.44

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund	Third Penny Fund	Bond Debt Service Fund	Total
Disbursements:				
General Government:				
Legislative	11,290.12			11,290.12
Financial Administration	22,118.97			22,118.97
Other	2,367.00			2,367.00
Total General Government	<u>35,776.09</u>	<u>0.00</u>	<u>0.00</u>	<u>35,776.09</u>
Public Safety:				
Police	7,200.00			7,200.00
Fire	3,469.39			3,469.39
Total Public Safety	<u>10,669.39</u>	<u>0.00</u>	<u>0.00</u>	<u>10,669.39</u>
Public Works:				
Highways and Streets	80,606.25			80,606.25
Total Public Works	<u>80,606.25</u>	<u>0.00</u>	<u>0.00</u>	<u>80,606.25</u>
Health and Welfare:				
Health	2,655.39			2,655.39
Total Health and Welfare	<u>2,655.39</u>	<u>0.00</u>	<u>0.00</u>	<u>2,655.39</u>
Culture and Recreation:				
Parks	1,838.18	382.03		2,220.21
Libraries	8,524.22			8,524.22
Total Culture and Recreation	<u>10,362.40</u>	<u>382.03</u>	<u>0.00</u>	<u>10,744.43</u>
Conservation and Development:				
Economic Opportunity and Assistance (Industrial Development)	3,320.90			3,320.90
Total Conservation and Development	<u>3,320.90</u>	<u>0.00</u>	<u>0.00</u>	<u>3,320.90</u>
Debt Service	<u>10,100.00</u>	<u>0.00</u>	<u>10,610.99</u>	<u>20,710.99</u>
Capital Outlay	<u>10,418.01</u>	<u>7,500.00</u>	<u>0.00</u>	<u>17,918.01</u>
Total Disbursements	<u>163,908.43</u>	<u>7,882.03</u>	<u>10,610.99</u>	<u>182,401.45</u>
Net Change in Fund Cash Balance	<u>32,793.68</u>	<u>(3,305.74)</u>	<u>3,223.05</u>	<u>32,710.99</u>
Fund Cash Balance - Beginning	<u>221,829.78</u>	<u>15,120.82</u>	<u>64,481.32</u>	<u>301,431.92</u>
FUND CASH BALANCE - ENDING	<u>254,623.46</u>	<u>11,815.08</u>	<u>67,704.37</u>	<u>334,142.91</u>

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

**MUNICIPALITY OF MOUNT VERNON
BALANCE SHEET - CASH BASIS
PROPRIETARY FUNDS
December 31, 2011**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	75,089.52	269,064.16	24,551.77	368,705.45
Total Current Assets	75,089.52	269,064.16	24,551.77	368,705.45
TOTAL ASSETS	75,089.52	269,064.16	24,551.77	368,705.45
NET ASSETS:				
Restricted for:				
Equipment Repair and/or Replacement		5,000.00		5,000.00
Unrestricted	75,089.52	264,064.16	24,551.77	363,705.45
TOTAL NET ASSETS	75,089.52	269,064.16	24,551.77	368,705.45

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

MUNICIPALITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND CASH NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
Operating Receipts:				
Charges for Goods and Services	83,240.76	29,770.16	37,492.78	150,503.70
Revenue Dedicated to Servicing Debt		70,013.89		70,013.89
Miscellaneous	1,912.00			1,912.00
Total Operating Receipts	85,152.76	99,784.05	37,492.78	222,429.59
Operating Disbursements:				
Personal Services	6,552.51	1,306.10	15,525.92	23,384.53
Other Current Disbursements	69,398.81	4,875.56	15,868.75	90,143.12
Capital Assets		2,306,170.08		2,306,170.08
Total Operating Disbursements	75,951.32	2,312,351.74	31,394.67	2,419,697.73
Operating Income (Loss)	9,201.44	(2,212,567.69)	6,098.11	(2,197,268.14)
Non-operating Receipts (Disbursements):				
Investment Earnings	140.18	1,025.79	15.33	1,181.30
Long-Term Debt Issued		1,745,656.00		1,745,656.00
Total Non-operating Receipts (Disbursements)	140.18	1,746,681.79	15.33	1,746,837.30
Income (Loss) Before Contributions	9,341.62	(465,885.90)	6,113.44	(450,430.84)
Capital Contributions		607,319.08		607,319.08
Change in Net Cash Assets	9,341.62	141,433.18	6,113.44	156,888.24
Net Cash Assets - Beginning	65,747.90	127,630.98	18,438.33	211,817.21
NET CASH ASSETS - ENDING	75,089.52	269,064.16	24,551.77	368,705.45

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a cash basis of accounting. The 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.

a. Financial Reporting Entity:

The reporting entity of the Municipality of Mount Vernon (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/Net Position – Cash Basis and Statement of Activities – Cash Basis 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 – Cash Basis presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

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, receipts, and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria.

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

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

Third Penny Fund – to account for the collection of a one percent tax on the gross receipts of lodging, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the municipality (SDCL 10-52A-2). This is a major fund.

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

Bond Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is 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 (disbursements, 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 receipts earned, disbursements incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

Garbage Fund – this fund accounts for the collection and disposal of the solid waste from the municipality. (SDCL 9-32-11 and 34A-6) 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" receipts and disbursements are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Municipality's basis of accounting is the 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 cash basis, transactions are recorded when cash is received or disbursed.

See Independent Auditor's Report.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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 cash basis of accounting.

Basis of Accounting:

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

The 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 cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the 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.

As a result of the use of this 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 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.

See Independent Auditor's Report.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 disbursements. 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 Receipts:

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

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

g. Proprietary Funds Receipts and Disbursement Classifications:

In the proprietary fund's Statement of Receipts, Disbursements and Changes in Fund Cash Net Assets/Net Position, receipts and disbursements 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 receipts and disbursements.

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.

i. Equity Classifications:

Government-wide Statements:

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

1. Restrict net assets/net position – Consists of net assets/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.
2. Unrestricted net assets/net position – All other net assets/net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

j. Application of Net Assets/Net Position:

It is the Municipality's policy to first use restricted net assets/net position, prior to the use of unrestricted net assets/net position, when a disbursement is incurred for purposes for which both restricted and unrestricted net assets/net positions are available.

k. Fund Balance Classification Policies and Procedures:

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

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

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

The Municipality does not have a formal minimum fund balance policy

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Third Penny Fund	Sales Tax

NOTES TO THE 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 to the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2011</u>	<u>Year Ended</u> <u>12/31/2012</u>
General Fund:		
General Government - Other		\$ 1,462.17
Highways & Streets		\$ 6,705.20
Libraries	\$ 104.22	
Third Penny Fund:		
Parks	\$ 2,857.03	

The Municipality plans to take the following actions to address these violations: use supplemental budgets when authority exists.

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

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

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

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

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

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

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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. LONG-TERM COMMITMENT

The Municipality of Mount Vernon entered into a 40-year commitment with Davison Rural Water System, Inc. to provide water to the Municipality. A monthly service charge in the amount of \$2,000.00 is paid by the Municipality to Davison Rural Water System, Inc. along with a charge of \$.00335 per gallon of water consumed. The monthly service charge represents a contribution by the Municipality to aid Davison Rural Water System, Inc. in the construction of the facilities and in future debt payments, which are necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality’s Water Fund. The following are the minimum payments on this commitment:

2013	\$ 24,000.00
2014	\$ 24,000.00
2015	\$ 24,000.00
2016	\$ 24,000.00
2017	\$ 24,000.00
2018-2022	\$ 120,000.00
2023-2027	\$ 120,000.00
2028-2032	\$ 120,000.00
2033-2037	\$ 120,000.00
2038-2042	\$ 120,000.00
2043	\$ 8,000.00

6. RESTRICTED NET ASSETS/NET POSITION:

Restricted Net Assets/Net Position for the years ended December 31, 2012 and 2011 were as follows:

<u>Major Purposes:</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Third Penny - Parks & City Promotion	\$ 16,423.19	\$ 11,815.08
Debt Service	71,332.10	67,704.37
Sewer Fund - Equipment Replacement	10,000.00	5,000.00
Total Restricted Net Assets/Net Position	<u>\$ 97,755.29</u>	<u>\$ 84,519.45</u>

These balances are restricted due to federal grant requirements and state law.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

7. RETIREMENT PLAN

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

Covered employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011 and 2010 were \$2,259.20, \$2,173.43 and \$2,110.83, respectively, equal to the required contributions each year.

8. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2012, the Municipality was not involved in any significant litigation.

9. 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, 2012, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality does not purchase health insurance for its employees.

Liability Insurance:

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

Real & personal property, vehicles, tools, employee dishonesty and natural disasters.

The agreement with the SDPAA provides that the above coverages will be provided to various limits. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2012, the Municipality has vested balance in the cumulative reserve fund of \$5,385.92.

The Municipality carries a \$100/1,000 deductible for the vehicle coverage and a \$250 deductible for the property coverage.

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

Worker's Compensation:

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

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

10. SUBSEQUENT EVENTS

At the March 4, 2013 council meeting, the Municipality agreed to pay \$25,000.00 to settle a land dispute for an earlier purchase of property to expand the lagoon. The dispute arose from a disagreement on the value of the land and the alleged hardship caused to the landowner by the city purchase.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Receipts:				
Taxes:				
General Property Taxes	90,000.00	90,000.00	96,502.91	6,502.91
General Sales and Use Taxes	62,000.00	62,000.00	79,376.76	17,376.76
Amusement Taxes	0.00	0.00	12.00	12.00
Penalties and Interest on Delinquent Taxes	500.00	500.00	335.49	(164.51)
Total Taxes	152,500.00	152,500.00	176,227.16	23,727.16
Licenses and Permits	900.00	900.00	150.00	(750.00)
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	900.00	900.00	1,062.12	162.12
Liquor Tax Reversion	2,000.00	2,000.00	3,173.93	1,173.93
Motor Vehicle Licenses	3,525.00	3,525.00	4,949.26	1,424.26
Local Government Highway and Bridge Fund	9,500.00	9,500.00	12,373.10	2,873.10
County Shared Receipts:				
County Wheel Tax	25.00	25.00	22.99	(2.01)
Other	0.00	0.00	657.62	657.62
Total Intergovernmental Receipts	15,950.00	15,950.00	22,239.02	6,289.02
Miscellaneous Receipts:				
Investment Earnings	100.00	100.00	173.96	73.96
Other	5,787.00	5,787.00	2,728.97	(3,058.03)
Total Miscellaneous Receipts	5,887.00	5,887.00	2,902.93	(2,984.07)
Total Receipts	175,237.00	175,237.00	201,519.11	26,282.11

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Disbursements:				
General Government:				
Legislative	14,175.00	14,175.00	10,560.26	3,614.74
Contingency	9,592.00	9,592.00		
Amount Transferred		0.00		9,592.00
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	25,245.00	25,245.00	16,997.49	8,247.51
Other	8,000.00	8,000.00	9,462.17	(1,462.17)
Total General Government	58,012.00	58,012.00	37,019.92	20,992.08
Public Safety:				
Police	7,200.00	7,200.00	7,200.00	0.00
Fire	4,500.00	4,500.00	0.00	4,500.00
Total Public Safety	11,700.00	11,700.00	7,200.00	4,500.00
Public Works:				
Highways and Streets	114,100.00	114,100.00	120,805.20	(6,705.20)
Total Public Works	114,100.00	114,100.00	120,805.20	(6,705.20)
Health and Welfare:				
Health	3,000.00	3,000.00	0.00	3,000.00
Total Health and Welfare	3,000.00	3,000.00	0.00	3,000.00
Culture and Recreation:				
Parks	5,100.00	5,100.00	3,896.42	1,203.58
Libraries	8,550.00	8,550.00	8,521.34	28.66
Total Culture and Recreation	13,650.00	13,650.00	12,417.76	1,232.24
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	10,275.00	10,275.00	5,275.00	5,000.00
Debt Service	14,500.00	14,500.00	7,000.00	7,500.00
Total Disbursements	225,237.00	225,237.00	189,717.88	35,519.12
Net Change in Fund Cash Balances	(50,000.00)	(50,000.00)	11,801.23	61,801.23
Fund Cash Balance - Beginning	254,623.46	254,623.46	254,623.46	0.00
FUND CASH BALANCE - ENDING	204,623.46	204,623.46	266,424.69	61,801.23

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Taxes:				
General Sales and Use Taxes	5,000.00	5,000.00	4,995.04	(4.96)
Total Taxes	5,000.00	5,000.00	4,995.04	(4.96)
Miscellaneous Receipts:				
Investment Earnings	25.00	25.00	4.49	(20.51)
Total Miscellaneous Receipts	25.00	25.00	4.49	(20.51)
Total Receipts	5,025.00	5,025.00	4,999.53	(25.47)
Disbursements:				
Culture and Recreation:				
Parks	5,025.00	5,025.00	391.42	4,633.58
Total Culture and Recreation	5,025.00	5,025.00	391.42	4,633.58
Total Disbursements	5,025.00	5,025.00	391.42	4,633.58
Net Change in Fund Cash Balances	0.00	0.00	4,608.11	4,608.11
Fund Cash Balance - Beginning	11,815.08	11,815.08	11,815.08	0.00
FUND CASH BALANCE - ENDING	11,815.08	11,815.08	16,423.19	4,608.11

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Receipts:				
Taxes:				
General Property Taxes	90,000.00	90,000.00	95,731.62	5,731.62
General Sales and Use Taxes	57,090.00	57,090.00	77,047.85	19,957.85
Amusement Taxes	10.00	10.00	12.00	2.00
Penalties and Interest on Delinquent Taxes	500.00	500.00	512.44	12.44
Total Taxes	147,600.00	147,600.00	173,303.91	25,703.91
Licenses and Permits	900.00	900.00	900.00	0.00
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	900.00	900.00	971.15	71.15
Liquor Tax Reversion	2,000.00	2,000.00	2,982.70	982.70
Motor Vehicle Licenses	3,525.00	3,525.00	4,061.93	536.93
Local Government Highway and Bridge Fund	9,500.00	9,500.00	9,734.00	234.00
County Shared Receipts:				
County Wheel Tax	25.00	25.00	26.40	1.40
Other	0.00	0.00	701.98	701.98
Total Intergovernmental Receipts	15,950.00	15,950.00	18,478.16	2,528.16
Miscellaneous Receipts:				
Investment Earnings	200.00	200.00	220.85	20.85
Other	5,900.00	5,900.00	3,799.19	(2,100.81)
Total Miscellaneous Receipts	6,100.00	6,100.00	4,020.04	(2,079.96)
Total Receipts	170,550.00	170,550.00	196,702.11	26,152.11

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Disbursements:				
General Government:				
Legislative	12,675.00	12,675.00	11,290.12	1,384.88
Contingency	9,592.00	9,592.00		
Amount Transferred		0.00		9,592.00
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	23,670.00	23,670.00	22,118.97	1,551.03
Other	8,000.00	8,000.00	2,367.00	5,633.00
Total General Government	<u>54,937.00</u>	<u>54,937.00</u>	<u>35,776.09</u>	<u>19,160.91</u>
Public Safety:				
Police	7,200.00	7,200.00	7,200.00	0.00
Fire	4,500.00	4,500.00	3,469.39	1,030.61
Total Public Safety	<u>11,700.00</u>	<u>11,700.00</u>	<u>10,669.39</u>	<u>1,030.61</u>
Public Works:				
Highways and Streets	107,973.00	107,973.00	88,406.25	19,566.75
Total Public Works	<u>107,973.00</u>	<u>107,973.00</u>	<u>88,406.25</u>	<u>19,566.75</u>
Health and Welfare:				
Health	3,000.00	3,000.00	2,655.39	344.61
Total Health and Welfare	<u>3,000.00</u>	<u>3,000.00</u>	<u>2,655.39</u>	<u>344.61</u>
Culture and Recreation:				
Parks	5,100.00	5,100.00	4,456.19	643.81
Libraries	8,420.00	8,420.00	8,524.22	(104.22)
Total Culture and Recreation	<u>13,520.00</u>	<u>13,520.00</u>	<u>12,980.41</u>	<u>539.59</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	<u>10,275.00</u>	<u>10,275.00</u>	<u>3,320.90</u>	<u>6,954.10</u>
Debt Service	<u>10,100.00</u>	<u>10,100.00</u>	<u>10,100.00</u>	<u>0.00</u>
Total Disbursements	<u>211,505.00</u>	<u>211,505.00</u>	<u>163,908.43</u>	<u>47,596.57</u>
Net Change in Fund Cash Balances	<u>(40,955.00)</u>	<u>(40,955.00)</u>	<u>32,793.68</u>	<u>73,748.68</u>
Fund Cash Balance - Beginning	<u>221,829.78</u>	<u>221,829.78</u>	<u>221,829.78</u>	<u>0.00</u>
FUND CASH BALANCE - ENDING	<u>180,874.78</u>	<u>180,874.78</u>	<u>254,623.46</u>	<u>73,748.68</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MOUNT VERNON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Taxes:				
General Sales and Use Taxes	5,000.00	5,000.00	4,574.78	(425.22)
Total Taxes	5,000.00	5,000.00	4,574.78	(425.22)
Miscellaneous Receipts:				
Investment Earnings	25.00	25.00	1.51	(23.49)
Total Miscellaneous Receipts	25.00	25.00	1.51	(23.49)
Total Receipts	5,025.00	5,025.00	4,576.29	(448.71)
Disbursements:				
Culture and Recreation:				
Parks	5,025.00	5,025.00	7,882.03	(2,857.03)
Total Culture and Recreation	5,025.00	5,025.00	7,882.03	(2,857.03)
Total Disbursements	5,025.00	5,025.00	7,882.03	(2,857.03)
Net Change in Fund Cash Balances	0.00	0.00	(3,305.74)	(3,305.74)
Fund Cash Balance - Beginning	15,120.82	15,120.82	15,120.82	0.00
FUND CASH BALANCE - ENDING	15,120.82	15,120.82	11,815.08	(3,305.74)

NOTES TO THE SUPPLEMENTARY INFORMATIONSchedules 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.

The Municipality did not encumber any amounts at December 31, 2011 and 2012.

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 are adopted on a basis consistent with the cash basis of accounting.

Note 2. Other Comprehensive Basis of Accounting Cash Basis/Budgetary Accounting Basis Differences:

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

MUNICIPALITY OF MOUNT VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2012

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures 2011</u>	<u>Expenditures 2012</u>
US General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 3)	39.003	<u>490.85</u>	<u>991.91</u>
Total US General Services Administration		<u>490.85</u>	<u>991.91</u>
US Environmental Protection Agency:			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources, Capitalization Grants for Clean Water State Revolving Funds (Federal Portion)(Note 2)	66.458	<u>797,764.00</u>	<u>252,236.00</u>
Total US Environment Protection Agency		<u>797,764.00</u>	<u>252,236.00</u>
 GRAND TOTAL		 <u><u>\$798,254.85</u></u>	 <u><u>\$253,227.91</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 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 amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Two Years Ended December 31, 2012

	<u>TOTAL GRANT AWARD</u>	<u>EXPENDED 2012</u>	<u>EXPENDED 2011</u>
<u>South Dakota Consolidated</u> <u>Water Facilities Construction</u>	<u>\$ 750,000.00</u>	<u>\$ 177,402.00</u>	<u>\$ 557,319.08</u>
<u>Program-Grant No. 2011G-304</u>			

SUPPLEMENTARY INFORMATION

SCHEDULE OF LONG-TERM LIABILITIES
For the Two Years Ended December 31, 2012

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/2011	Additions	Deletions	Ending Balance 12/31/2012	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation - Series 2000	143,339.37		143,339.37	0.00	0.00
General Obligation Bonds - Refunding Series 2011	0.00	144,772.76	28,954.56	115,818.20	14,477.28
Total Governmental Activities	<u>143,339.37</u>	<u>144,772.76</u>	<u>172,293.93</u>	<u>115,818.20</u>	<u>14,477.28</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	0.00	2,300,000.00	1,050,000.00	1,250,000.00	19,524.12
Total Business-Type Activities	<u>0.00</u>	<u>2,300,000.00</u>	<u>1,050,000.00</u>	<u>1,250,000.00</u>	<u>19,524.12</u>
TOTAL PRIMARY GOVERNMENT	<u><u>143,339.37</u></u>	<u><u>2,444,772.76</u></u>	<u><u>1,222,293.93</u></u>	<u><u>1,365,818.20</u></u>	<u><u>34,001.40</u></u>

In 2011, the Municipality issued \$144,772.76 in General Obligation Refunding Bonds with an average interest rate of 2.25 percent to refund the following:

	Average Interest Rate	Unpaid Principal at Time of Refunding
G.O. Bonds, Series 2003	7.000%	\$143,339.37

The entire proceeds of the refunding issue in the amount of \$144,772.76 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Municipality's Governmental Debt records.

The Municipality refunded the debt to increase its total debt service payments over the next five years by \$12,930.31 and to obtain an economic gain of \$12,361.29.

Debt payable at December 31, 2012 is comprised of the following:

General Obligation Bonds:

General Obligation Refunding Bonds, Series 2011; \$ 115,818.20
 Interest Rate of 2.25%; Maturity Date on January 25, 2016;
 Paid by Debt Service Fund and General Fund.

Revenue Bonds:

Clean Water No. 1 Borrower Bond; \$1,250,000.00
 Interest Rate of 3.00%; Maturity Date on January 15, 2043;
 Paid by the Sewer Fund.

SUPPLEMENTARY INFORMATION

The annual requirements to amortize all debt outstanding as of December 31, 2012, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2012

Year Ending December 31,	General Obligation Refunding Bonds - Series 2011		Clean Water No. 1 Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	14,477.28	2,605.91	19,524.12	27,979.29
2014	14,477.28	2,280.17	26,722.35	36,615.53
2015	86,863.64	1,954.43	27,533.10	35,804.78
2016			28,368.42	34,969.46
2017			29,229.10	34,108.78
2018-2022			159,997.79	156,691.61
2023-2027			185,786.89	130,902.51
2028-2032			215,732.80	100,956.60
2033-2037			250,505.50	66,183.90
2038-2042			290,883.02	25,806.38
2043-2047			15,716.91	117.56
Totals	<u>115,818.20</u>	<u>6,840.51</u>	<u>1,250,000.00</u>	<u>650,136.40</u>

Year Ending December 31,	Totals	
	Principal	Interest
2013	34,001.40	30,585.20
2014	41,199.63	38,895.70
2015	114,396.74	37,759.21
2016	28,368.42	34,969.46
2017	29,229.10	34,108.78
2018-2022	159,997.79	156,691.61
2023-2027	185,786.89	130,902.51
2028-2032	215,732.80	100,956.60
2033-2037	250,505.50	66,183.90
2038-2042	290,883.02	25,806.38
2043-2047	15,716.91	117.56
Totals	<u>1,365,818.20</u>	<u>656,976.91</u>