

**CITY OF MURDO**  
**AUDIT REPORT**  
**DECEMBER 31, 2013**

**CITY OF MURDO  
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# Gary L. Larson, CPA

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

City Council  
City of Murdo  
Murdo, South Dakota

I have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental 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, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, as December 31, 2013, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 12, 2014. A disclaimer of opinion for the aggregate discretely presented component unit was issued due to the financial statements including unaudited financial information for the Murdo Housing and Redevelopment Commission.

**Internal Control over Financial Reporting**

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

My 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, I identified certain deficiencies in internal control that I 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 City's financial statements will not be prevented or detected and corrected on a timely basis.

I consider the deficiency described in the Schedule of Current Audit Findings as item number 2013-001 to be a material weakness.

**Compliance and Other Matters**

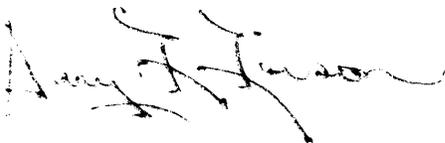
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination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

**City's Response to Findings**

The City's response to the findings identified in my audit are described in the accompanying Schedule of Current Audit Finding. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. 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.



June 12, 2014

# Gary L. Larson, CPA

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Murdo  
Murdo, South Dakota

### **Report on the Financial Statements**

I have audited the accompanying cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota (City), as of December 31, 2013, and for each of the years in the biennial period then ended, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

The City's management is responsible for the preparation and fair presentation of these financial statement 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The financial statements of the Murdo Housing and Redevelopment Commission have not been audited, and I was not engaged to audit the Murdo Housing and Redevelopment Commission's financial statements as part of my audit of the City's basic financial statements. The Murdo Housing and Redevelopment Commission's unaudited financial activities are included in the City's basic

financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, revenues and expenses of the City's aggregate discretely presented component unit opinion unit.

An audit includes 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### **Opinions**

In my 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, each major fund and the aggregate remaining fund information of the City of Murdo as of December 31, 2013, and the respective changes in financial position 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 for Disclaimer of Opinion**

Because I was not engaged to audit, and did not audit, the Murdo Housing and Redevelopment Commission's financial statements, nor were the financial statements audited by other auditors, the scope of my work was not sufficient to enable me to express an opinion on the financial statements of the aggregate discretely presented component unit opinion unit of the City of Murdo, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended.

#### **Disclaimer of Opinion**

Because of the reasons described above, I do not express an opinion on the aggregately discretely presented component unit of the City of Murdo, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended.

**Basis of Accounting**

I 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. My opinion is not modified with respect to this matter.

**Other Matters**

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Budgetary Comparison Schedules are presented for the 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 management 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 my 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*, I have also issued my report dated June 12, 2014 on consideration of the internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 12, 2014

**CITY OF MURDO**  
**STATEMENT OF NET POSITION - CASH BASIS**  
**DECEMBER 31, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	TOTAL
ASSETS:			
Cash and cash equivalents	\$851,267	\$94,804	\$946,071
<b>TOTAL ASSETS</b>	<b>\$851,267</b>	<b>\$94,804</b>	<b>\$946,071</b>
NET POSITION:			
Unrestricted	\$851,267	\$94,804	\$946,071
<b>TOTAL NET POSITION</b>	<b>\$851,267</b>	<b>\$94,804</b>	<b>\$946,071</b>

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

Component  
Unit

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\$79,966

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\$79,966

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\$79,966

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\$79,966

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**CITY OF MURDO**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General government	\$117,991	\$42,273	\$0
Public safety	27,600	0	0
Public works	243,381	85,675	39,168
Health and welfare	1,500	0	0
Culture and recreation	104,448	2,355	0
Conservation and development	22,879	0	0
Debt service	16,684	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>534,483</b>	<b>130,303</b>	<b>39,168</b>
Business-type Activities:			
Water	123,257	130,171	0
Sewer	25,050	68,063	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>148,307</b>	<b>198,234</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$682,790</b>	<b>\$328,537</b>	<b>\$39,168</b>
Component Unit:			
Housing and Redevelopment Commission	\$154,337	\$99,770	\$52,911

GENERAL REVENUES:  
Property taxes  
Sales taxes  
State shared revenues  
Unrestricted investment earnings  
Other general revenues  
  
Total General Revenues  
  
Change in net position  
  
Net Position-beginning  
  
NET POSITION-ending

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

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

Governmental Activities	Business-type Activities	Total	Component Unit
(\$75,718)	\$0	(\$75,718)	\$0
(27,600)	0	(27,600)	0
(118,538)	0	(118,538)	0
(1,500)	0	(1,500)	0
(102,093)	0	(102,093)	0
(22,879)	0	(22,879)	0
(16,684)	0	(16,684)	0
(365,012)	0	(365,012)	0
0	6,914	6,914	0
0	43,013	43,013	0
0	49,927	49,927	0
(\$365,012)	\$49,927	(\$315,085)	\$0
\$0	\$0	\$0	(\$1,656)
136,325	0	136,325	0
463,848	0	463,848	0
6,911	0	6,911	0
358	0	358	521
49,924	0	49,924	5,393
657,366	0	657,366	5,914
292,354	49,927	342,281	4,258
558,913	44,877	603,790	75,708
\$851,267	\$94,804	\$946,071	\$79,966

**CITY OF MURDO**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	PROGRAM REVENUES		
	Expenses	Charges for Services	Operating Grants
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General government	\$120,435	\$10,065	\$0
Public safety	26,881	0	0
Public works	383,442	71,693	13,027
Health and welfare	2,085	0	0
Culture and recreation	71,411	2,711	0
Conservation and development	21,209	0	0
Debt Service	15,995	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>641,458</b>	<b>84,469</b>	<b>13,027</b>
Business-type Activities:			
Water	147,350	141,991	0
Sewer	78,816	66,373	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>226,166</b>	<b>208,364</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$867,624</b>	<b>\$292,833</b>	<b>\$13,027</b>
Component Unit:			
Housing and Redevelopment Commission	\$264,393	\$85,867	\$52,011

GENERAL REVENUES:  
Property taxes  
Sales taxes  
State shared revenues  
Unrestricted investment earnings  
Other general revenues

Total General Revenues

Change in net position

Net Position-beginning

NET POSITION-ending

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

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

Governmental Activities	Business-type Activities	Total	Component Unit
(\$110,370)	\$0	(\$110,370)	\$0
(26,881)	0	(26,881)	0
(298,722)	0	(298,722)	0
(2,085)	0	(2,085)	0
(68,700)	0	(68,700)	0
(21,209)	0	(21,209)	0
(15,995)	0	(15,995)	0
(543,962)	0	(543,962)	0
0	(5,359)	(5,359)	0
0	(12,443)	(12,443)	0
0	(17,802)	(17,802)	0
(\$543,962)	(\$17,802)	(\$561,764)	\$0
\$0	\$0	\$0	(\$126,515)
136,767	0	136,767	0
467,710	0	467,710	0
29,430	0	29,430	0
366	0	366	3,770
40,034	0	40,034	3,583
674,307	0	674,307	7,353
130,345	(17,802)	112,543	(119,162)
428,568	62,679	491,247	194,870
\$558,913	\$44,877	\$603,790	\$75,708

**CITY OF MURDO  
BALANCE SHEET-CASH BASIS-  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$834,782	\$16,485	\$851,267
<b>TOTAL ASSETS</b>	<b>\$834,782</b>	<b>\$16,485</b>	<b>\$851,267</b>
FUND BALANCES:			
Restricted for promotion of City	\$0	\$16,485	\$16,485
Assigned to 2014 budget	310,500	0	310,500
Unassigned	524,282	0	524,282
<b>Total Fund Balance</b>	<b>\$834,782</b>	<b>\$16,485</b>	<b>\$851,267</b>

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

**CITY OF MURDO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$135,418	\$0	\$135,418
General sales taxes	406,013	57,679	463,692
Amusement taxes	156	0	156
Penalties and interest on tax	907	0	907
Intergovernmental Revenue			
Federal grants	36,168	0	36,168
State shared revenues	40,685	0	40,685
County shared revenues	4,729	0	4,729
Charges for Goods and Services:			
General government	5,085	0	5,085
Sanitation	51,527	0	51,527
Culture and recreation	2,355	0	2,355
Miscellaneous Revenue			
Interest earned	358	0	358
Rentals	11,286	0	11,286
Contributions	3,000	0	3,000
Liquor operating agreements	25,902	0	25,902
Other	45,569	0	45,569
 Total Revenue	 \$769,158	 \$57,679	 \$826,837

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

**CITY OF MURDO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	\$11,573	\$0	\$11,573
Financial administration	106,418	0	106,418
Public Safety			
Police	19,200	0	19,200
Fire	8,400	0	8,400
Public Works			
Highways and streets	151,280	4,632	155,912
Sanitation	54,162	0	54,162
Airport	33,307	0	33,307
Health and Welfare:			
Health	1,500	0	1,500
Culture and Recreation:			
Recreation	46,787	0	46,787
Parks	36,893	7,000	43,893
Auditorium	13,768	0	13,768
Conservation and development			
Economic development	0	22,879	22,879
Debt service	0	16,684	16,684
Total Expenditures	<u>483,288</u>	<u>51,195</u>	<u>534,483</u>
Net Change in Fund Balances	285,870	6,484	292,354
FUND BALANCE JANUARY 1, 2013	<u>548,912</u>	<u>10,001</u>	<u>558,913</u>
FUND BALANCE, DECEMBER 31, 2013	<u><u>\$834,782</u></u>	<u><u>\$16,485</u></u>	<u><u>\$851,267</u></u>

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

**CITY OF MURDO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$136,142	\$0	\$136,142
General sales taxes	414,726	52,972	467,698
Penalties and interest on tax	637	0	637
Intergovernmental Revenue			
Federal grants	6,399	0	6,399
State grants	6,628	0	6,628
State shared revenues	29,430	0	29,430
County shared revenues	11,091	0	11,091
Charges for Goods and Services:			
Highways and streets	22,559	0	22,559
Sanitation	49,134	0	49,134
Culture and recreation	2,711	0	2,711
Miscellaneous Revenue			
Interest earned	366	0	366
Rentals	10,065	0	10,065
Liquor operating agreement income	22,779	0	22,779
Other	6,164	0	6,164
<b>Total Revenue</b>	<b>\$718,831</b>	<b>\$52,972</b>	<b>\$771,803</b>

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

**CITY OF MURDO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	\$12,283	\$0	\$12,283
Financial administration	74,152	0	74,152
Other	34,000	0	34,000
Public Safety			
Police	19,200	0	19,200
Fire	7,681	0	7,681
Public Works			
Highways and streets	302,363	4,450	306,813
Sanitation	52,186	0	52,186
Airport	24,443	0	24,443
Health and Welfare			
Health	2,085	0	2,085
Culture and Recreation:			
Recreation	42,465	0	42,465
Parks	19,250	6,879	26,129
Auditorium	2,817	0	2,817
Conservation and development			
Economic development	0	21,209	21,209
Debt service	0	15,995	15,995
<b>Total Expenditures</b>	<b>592,925</b>	<b>48,533</b>	<b>641,458</b>
Net Change in Fund Balances	125,906	4,439	130,345
FUND BALANCE, JANUARY 1, 2012	423,006	5,562	428,568
FUND BALANCE, DECEMBER 31, 2012	<u>\$548,912</u>	<u>\$10,001</u>	<u>\$558,913</u>

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

**CITY OF MURDO**  
**STATEMENT OF NET POSITION - CASH BASIS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2013**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$79,209	\$15,595	\$94,804
<b>TOTAL ASSETS</b>	<b>\$79,209</b>	<b>\$15,595</b>	<b>\$94,804</b>
NET POSITION			
Unrestricted net position	\$79,209	\$15,595	\$94,804
<b>Total Net Position</b>	<b>\$79,209</b>	<b>\$15,595</b>	<b>\$94,804</b>

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

**CITY OF MURDO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services	\$130,171	\$68,063	\$198,234
OPERATING EXPENSES:			
Personal services	37,947	21,573	59,520
Other current expense	30,242	3,477	33,719
Cost of goods sold	50,580	0	50,580
Total Operating Expenses	118,769	25,050	143,819
Operating Income	11,402	43,013	54,415
Non-operating Revenue (Expense)			
Debt service (principal)	(1,977)	0	(1,977)
Interest expense	(2,511)	0	(2,511)
Total Non-operating Revenue (Expense)	(4,488)	0	(4,488)
Change in Net Position	6,914	43,013	49,927
NET POSITION, BEGINNING	72,295	(27,418)	44,877
NET POSITION, ENDING	\$79,209	\$15,595	\$94,804

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

**CITY OF MURDO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services	\$141,991	\$66,373	\$208,364
OPERATING EXPENSES:			
Personal services	37,989	21,154	59,143
Other current expense	24,969	7,703	32,672
Cost of goods sold	68,951	0	68,951
Capital assets	10,953	49,959	60,912
Total Operating Expenses	142,862	78,816	221,678
Operating Income (Loss)	(871)	(12,443)	(13,314)
Non-operating Revenue (Expense)			
Debt service (principal)	(1,918)	0	(1,918)
Interest expense	(2,570)	0	(2,570)
Total Non-operating Revenue (Expenses)	(4,488)	0	(4,488)
Change in Net Position	(5,359)	(12,443)	(17,802)
NET POSITION, (DEFICIT) BEGINNING	77,654	(14,975)	62,679
NET POSITION (DEFICIT), ENDING	\$72,295	(\$27,418)	\$44,877

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 c., these financial statements are presented on 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 City of Murdo 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 their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on, the City (primary government).

The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Murdo Housing and Redevelopment Commission (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though retains the statutory authority to approve or deny or otherwise modify the commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Murdo Housing and Redevelopment Commission may be obtained from: Murdo Housing and Redevelopment Commission, Murdo, SD.

b. Basis of Presentation:

*Government-wide Statements:* The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the *governmental and business-type activities* and discretely presented component units. 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.

Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1 a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

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

1. Total assets, 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.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The funds of the financial reporting entity are described below:

**Governmental Funds:**

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

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

Entertainment Tax Fund    A fund established by SDCL 10-52A used to pay for promotion of the City. It is financed by a gross receipts tax on bars, restaurants and motels. This is not 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.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Water Fund                      a fund used to record financial transactions related to water utility operations. This fund is financed by user charges and grants. This is a major fund.

Sewer Fund                      a fund used to record financial transactions related to sewer operations. This fund is financed by user charges. 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.

The City uses 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.

*Measurement Focus:*

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Basis of Accounting:*

In the Government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type and component unit 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 City 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 and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances. The City did not have internal receivables or payables as of December 31, 2013.
2. In order to minimize the doubling-up effect on the interfund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate. The City did not have any such internal activity during 2012 or 2013.

e. Deposits and Investments:

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Capital Assets:

Under the cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

g. 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.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the 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.

h. Program Revenues:

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

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses that are capital and related financing activities or investing activities are reported as separate classifications of revenue or expense (on a cash basis).

j. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net position and is displayed in two components:

1. Restricted net position - Consists of net position with constraints places 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 position - All other net position that do not meet the definition of "restricted."

*Fund Financial Statements:*

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Application of Net Position:

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

1. Fund Balance Classification Policies and Procedures:

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

1. Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. 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.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. 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.
5. 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.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City 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 Government would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

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

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

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

Deposits - The City 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 letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks 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.

It is the City's policy to deposit all interest revenue to the fund making the investment.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

Custodial Credit Risk:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The City's deposits were not exposed to the above risks as of December 31, 2013.

Investments - In general, SDCL 4-5-6 permits municipal 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); 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). Also, SDCL 4-5-9 requires that investments shall 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.

No investments were held as of December 31, 2013.

**Custodial Credit Risk - Deposits** -The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

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

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

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

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

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

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

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

4. CHANGES IN CAPITAL ASSETS:

Since the City of Murdo uses the cash basis of accounting, depreciation schedules are not maintained and capital asset records do not include the historical cost of all fixed assets. During the two years ending December 31, 2013 the City purchased the following capital assets:

	Governmental Funds	Business Type Funds
Improvements	\$ 16,022	\$ -
Equipment	47,394	60,912
Total	\$ 63,416	\$ 60,912

**CITY OF MURDO**  
**NOTES TO CASH BASIS FINANCIAL STATEMENTS**

4. CHANGES IN CAPITAL ASSETS (continued):

No material deletions occurred during the two year period ended December 31, 2013.

5. LONG-TERM DEBT

A summary of changes in long-term debt follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions (Deletions)</u>	<u>Ending Balance</u>	<u>Due within Year</u>
Governmental Activities:				
Installment				
Loans	\$ 91,303	\$ (30,193)	\$ 61,110	\$ 12,592
Business Type Activities:				
Installment				
Loan	<u>\$ 85,320</u>	<u>\$ (3,895)</u>	<u>\$ 81,425</u>	<u>\$ 2,036</u>
Total Primary				
Government	<u>\$176,623</u>	<u>\$ (34,088)</u>	<u>\$142,535</u>	<u>\$14,628</u>

Debt payable at December 31, 2013 is comprised of the following:

Governmental Activities:

  Installment Loans:

    Loan payable to individuals, due in monthly installments of \$689 to July 1, 2014, including 5% interest, payable by the Entertainment Tax Fund.

\$ 4,747

    Loan payable to West Central Electric Coop, due in annual payments of \$8,411, including 1% interest, maturity is August 1, 2015. The loan is being paid by the Entertainment Tax Fund.

56,363

Total Governmental Activities:

\$ 61,110

**CITY OF MURDO**  
**NOTES TO CASH BASIS FINANCIAL STATEMENTS**

5. LONG-TERM DEBT (continued)

Business Type Activities:

Loan payable to bank, due in monthly installments of \$374, including 3% interest, maturing August 1, 2040. Loan is being paid by the Water Fund. 81,425

Total Primary Government: \$ 142,535

The annual requirements to amortize all outstanding debt to the City are as follows:

Annual Requirements to Amortize  
Long-Term Debt - December 31, 2013

Installment Loans:

<u>Year Ended</u> <u>December 31,</u>	<u>Governmental</u>		<u>Business</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 12,592	\$ 645	\$ 2,036	\$ 2,452
2015	48,518	487	2,098	2,390
2016	-	-	2,163	2,325
2017	-	-	2,228	2,260
2018	-	-	2,295	2,193
2019-2023	-	-	12,570	9,870
2024-2028	-	-	14,604	7,839
2029-2033	-	-	16,960	5,480
2034-2038	-	-	19,702	2,738
2039-2040	-	-	<u>6,769</u>	<u>232</u>
Total	<u>\$ 61,110</u>	<u>\$ 1,132</u>	<u>\$ 81,425</u>	<u>\$ 37,779</u>

6. PLEDGED REVENUES:

The City has pledged future water customers' revenues, net of specified operation expenses, to repay \$81,425 in water system installments loans issued in 2005. Proceeds from the loans provided financing for the construction of a water tower.

**CITY OF MURDO**  
**NOTES TO CASH BASIS FINANCIAL STATEMENTS**

6. PLEDGED REVENUES:

The bonds are payable solely from water customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds is \$119,204. Principal and interest paid for the current year and total customer net revenues were \$4,488 and \$11,402, respectively.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2013, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. The policy carries a \$500 deductible.

Liability Insurance:

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

**CITY OF MURDO**  
**NOTES TO CASH BASIS FINANCIAL STATEMENTS**

7. RISK MANAGEMENT (continued)

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the Pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative under certain conditions. As of December 31, 2013, the City had a vested balance of \$22,094 in the reserve fund. The City carries a \$250 deductible for the automobile coverage and \$1,000 deductible for the general liability.

The City 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 for the past three years.

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensations coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The Pool pays the first \$325,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,675,000 per individual per incident.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

7. RISK MANAGEMENT (continued)

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2012 and 2013, no claims were filed or paid for unemployment, nor are any anticipated as of December 31, 2013.

8. RETIREMENT PLAN

All employees, except for part-time, 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 provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, 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% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for fiscal years ended December 31, 2013, 2012 and 2011 were \$6,089, \$6,029 and \$6,465 respectively, equal to the required contributions each year.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

9. JOINT VENTURE

The City participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area services to its member entities.

The members of the joint venture are as follows:

<u>Counties</u>	<u>Cities</u>
Tripp County	White Lake
Aurora County	Wessington Springs
Jerauld County	Plankinton
Brule County	Reliance
Lyman County	White River
Buffalo County	Alpena
Jones County	Lane
Mellette County	Colome
	Kennebec
	Chamberlain
	Kimball
	Oacoma
	Presho
	Draper
	Stickney
	Murdo
	Pukwana
	New Witten
	Winner and
	Wood

The joint venture's governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill.

**CITY OF MURDO**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

9. JOINT VENTURE (continued):

As of December 31, 2010, this joint venture had total fund equity of \$529,576 and long-term debt of \$742,435. This is the most recent financial information the entity was able to provide as of June 12, 2014.

**CITY OF MURDO**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amount
	Original	Final	
<b>REVENUES</b>			
Taxes:			
General property taxes	\$142,330	\$142,330	\$135,418
General sales and use taxes	330,000	330,000	406,013
Amusement taxes	0	0	156
Penalties and interest	0	0	907
Licenses and Permits	1,290	1,290	0
Intergovernmental Revenue			
Federal grants	0	0	36,168
State shared revenue	34,000	34,000	40,685
County shared revenue	0	0	4,729
Charges for Goods and Services			
General government	5,200	5,200	5,085
Sanitation	46,700	46,700	51,527
Culture and recreation	0	0	2,355
Miscellaneous Revenue			
Investment earnings	0	0	358
Rentals	0	0	11,286
Contributions	0	0	3,000
Liquor operating agreements	23,200	23,200	25,902
Other	15,925	15,925	45,569
<b>Total Revenue</b>	<b>\$598,645</b>	<b>\$598,645</b>	<b>\$769,158</b>

The accompanying notes to supplemental information are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

---

(\$6,912)  
76,013  
156  
907

(1,290)

36,168  
6,685  
4,729

(115)  
4,827  
2,355

358  
11,286  
3,000  
2,702  
29,644

---

\$170,513

**CITY OF MURDO**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

EXPENDITURES	Budgeted Amounts		Actual Amount
	Original	Final	
General Government			
Legislative	\$14,389	\$14,389	\$11,573
Contingencies	43,750	43,750	0
Amount transferred	0	(34,624)	0
Financial administration	99,496	115,109	106,418
Public Safety			
Police	19,200	19,200	19,200
Fire	8,400	8,400	8,400
Public Works			
Highways and streets	329,013	329,583	151,280
Sanitation	52,807	54,332	54,162
Airport	37,550	37,550	33,307
Health and Welfare			
Health	1,550	1,550	1,500
Culture and Recreation			
Recreation	36,934	47,560	46,787
Parks	36,975	37,000	36,893
Auditorium	11,500	17,765	13,768
Total Expenditures	<u>691,564</u>	<u>691,564</u>	<u>483,288</u>
Net Change in Fund Balance	(92,919)	(92,919)	285,870
FUND BALANCE-Beginning	<u>548,912</u>	<u>548,912</u>	<u>548,912</u>
FUND BALANCE-Ending	<u><u>\$455,993</u></u>	<u><u>\$455,993</u></u>	<u><u>\$834,782</u></u>

The accompanying notes to supplemental information are an integral part of the schedule

Variance with  
Final Budget-  
Positive  
(Negative)

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\$2,816  
43,750  
(34,624)  
8,691

0  
0

178,303  
170  
4,243

50

773  
107  
3,997

---

208,276

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378,789

0

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\$378,789

**CITY OF MURDO**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amount
	Original	Final	
<b>REVENUES</b>			
Taxes:			
General property taxes	\$136,855	\$136,855	\$136,142
General sales and use taxes	310,000	310,000	414,726
Penalties and interest	0	0	637
Licenses and Permits	1,290	1,290	0
Intergovernmental Revenue			
Federal grants	0	0	6,399
State grants	0	0	6,628
State shared revenue	30,900	30,900	29,430
County shared revenue	0	0	11,091
Charges for Goods and Services			
Highways and streets	3,850	3,850	22,559
Sanitation	46,700	46,700	49,134
Culture and recreation	0	0	2,711
Miscellaneous Revenue			
Investment earnings	0	0	366
Rentals	0	0	10,065
Liquor operating agreements	22,400	22,400	22,779
Other	16,225	16,225	6,164
<b>Total Revenue</b>	<b>\$568,220</b>	<b>\$568,220</b>	<b>\$718,831</b>

The accompanying notes to supplemental information are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

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(\$713)  
104,726  
637

(1,290)

6,399  
6,628  
(1,470)  
11,091

18,709  
2,434  
2,711

366  
10,065  
379  
(10,061)

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\$150,611

**CITY OF MURDO**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

EXPENDITURES	Budgeted Amounts		Actual Amount
	Original	Final	
General Government			
Legislative	\$14,189	\$14,189	\$12,283
Contingencies	41,892	41,892	0
Amount transferred	0	(41,132)	0
Financial administration	71,504	74,463	74,152
Other	30,000	34,000	34,000
Public Safety			
Police	19,200	19,200	19,200
Fire	8,400	8,400	7,681
Public Works			
Highways and streets	343,638	343,638	302,363
Sanitation	52,807	52,807	52,186
Airport	1,675	24,443	24,443
Health and Welfare			
Health	1,550	2,086	2,085
Culture and Recreation			
Recreation	35,734	42,775	42,465
Parks	16,250	20,078	19,250
Auditorium	3,000	3,000	2,817
Total Expenditures	<u>639,839</u>	<u>639,839</u>	<u>592,925</u>
Net Change in Fund Balance	(71,619)	(71,619)	125,906
FUND BALANCE-Beginning	<u>423,006</u>	<u>423,006</u>	<u>423,006</u>
FUND BALANCE-Ending	<u><u>\$351,387</u></u>	<u><u>\$351,387</u></u>	<u><u>\$548,912</u></u>

The accompanying notes to supplemental information are an integral part of the schedule

Variance with  
Final Budget-  
Positive  
(Negative)

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\$1,906  
41,892  
(41,132)

311  
0

0  
719

41,275  
621  
0

1

310  
828  
183

---

46,914

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197,525

0

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\$197,525

**CITY OF MURDO**  
**NOTES TO SUPPLEMENTARY INFORMATION**

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board 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. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles, on a cash basis.

**CITY OF MURDO**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2013-001:

A lack of proper segregation of duties is the present situation in the City's accounting department.

**CRITERIA:**

Duties should be segregated so the same employees who handle cash do not record cash transactions nor have general ledger access. Bank reconciliation should be performed by personnel not involved with the check writing process. Other financial and accounting functions should be done by separate people.

**CONDITION, CAUSE AND EFFECT:**

The size of the entity precludes an adequate segregation of duties.

**RECOMMENDATION:**

The Mayor and Council Members should always be aware of this weakness as they review and approve transactions of the City and resulting financial reports. Compensating controls should be implemented whenever and wherever possible.

**RESPONSE:**

The City agrees with the finding, but does not intend to hire additional personnel just to segregate duties.