

CITY OF MURDO
MURDO, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CITY OF MURDO
MURDO, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2021

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Murdo
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT

Disclaimer, Qualified and Unmodified Opinions:

I have audited the accompanying modified cash basis financial statements of governmental activities, business-type activities, 2020 Discretely Presented Component Unit, and each major fund of the City of Murdo (City), Jones County, South Dakota as of December 31, 2021 and for each of the years in the biennial period then ended, and the related notes to the financial statements. I was not engaged to audit the modified cash basis financial statements of the 2021 discretely presented component unit. These modified cash basis financial statements collectively comprise the City of Murdo's basic modified cash basis financial statements as listed in the table of contents.

Summary of Opinions:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
Discretely Presented Component Unit - 2021	Disclaimer
Discretely Presented Component Unit - 2020	Unmodified
General Fund	Qualified
3 rd cent Sales Tax Fund	Qualified
Water Fund	Qualified
Sewer Fund	Qualified

Disclaimer of Opinion on the 2021 Discretely Presented Component Unit:

Because of the significance of the matter described in the Basis for 2021 Disclaimer of Opinion, Qualified Opinions, and Unmodified Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the modified cash basis financial statements of the 2021 discretely presented component unit of the City of Murdo, Jones County, South Dakota. Accordingly, I do not express an opinion on the modified cash basis financial statements of the 2021 discretely presented component unit.

Qualified Opinions on Governmental Activities, Business-type Activities, and Each Major Fund:

In my opinion, except for the effects of the matters described in the Basis for Disclaimer of Opinion, Qualified Opinions and Unmodified Opinion section of my report, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of governmental activities, business-type activities and each major fund of the City of Murdo, Jones County, South Dakota as of December 31, 2021, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1-c.

Unmodified Opinion on 2020 Discretely Presented Component Unit:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial statements of the 2020 discretely presented component unit of the City of Murdo, Jones County, South

City of Murdo
Independent Auditor's Report -- Page Two

Dakota as of December 31, 2020, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in note 1-c.

Basis for Disclaimer of Opinion, Qualified Opinions and Unmodified Opinion:

I conducted my audit of the cash basis financial statements of governmental activities, business-type activities, 2020 discretely presented component unit and each major fund in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of my report. I am required to be independent of the City of Murdo, South Dakota and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer, qualified and unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the 2021 Discretely Presented Component Unit:

The modified cash basis financial statements of the 2021 Murdo Housing & Redevelopment Commission (MHRC) have not been audited, and I was not engaged to audit MHRC's 2021 modified cash basis financial statements as part of my audit of the City of Murdo's basic modified cash basis financial statements. MHRC's 2021 financial activities are included in the City of Murdo's basic modified cash basis financial statements as the 2021 discretely presented component unit and represents 100% of cash, net position, receipts and disbursements of the City of Murdo's 2021 discretely presented component unit.

Matter Giving Rise to Qualified Opinions of Governmental Activities, Business-Type Activities, and Each Major Fund:

A 2020 general ledger was not available to support the balances and activity in governmental activities, business-type activities, and each major fund. Fire Department bank statements were not available for January - November 2020 and December 2021.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1-c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My qualified and unmodified opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1-c, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Murdo's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the 2021 Discretely Presented Component Unit:

My responsibility is to conduct an audit of the City of Murdo's financial statements in accordance with GAAS and to issue an auditor's report. However, because I was not engaged to audit the 2021 discretely presented component unit, I do not have a basis to provide an opinion on the financial statements of the 2021 discretely presented component unit.

Auditor's Responsibility for the Audit of Governmental Activities, Business-Type Activities, 2020 Discretely Presented Component Unit, and Each Major Fund:

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > Obtain an understanding of internal control relevant to the audit 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 of Lake Norden's internal control. Accordingly, no such opinion is expressed.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Murdo's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

City of Murdo
Independent Auditor's Report -- Page Four

Other Matters - Supplementary Information (no opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Murdo, South Dakota basic financial statements. The accompanying budgetary comparison schedules (page 27 to 30) and pension schedules (page 31 to 32) are presented for the purpose 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 basic modified cash basis of accounting financial statements.

I have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic modified cash basis of accounting financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information: (Opinion)

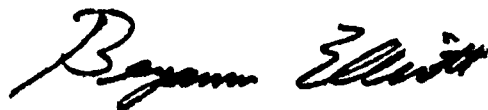
My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Murdo's financial statements. The schedule of changes in long-term liabilities (page 26) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting 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 modified cash basis of accounting financial statements. The information has been subject 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 schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting 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 29, 2023 (page 34) on my consideration of the City of Murdo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely 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 effectiveness of the City of Murdo's 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



June 29, 2023

CITY OF MURDO

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2021

	Primary Government			Component Unit DISCLAIM OPINION
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	719,522	128,078	847,600	31,846
Investments	0	0	0	42,695
	-----	-----	-----	-----
Total assets	719,522	128,078	847,600	74,541
	=====	=====	=====	=====
NET POSITION:				
Restricted for:				
3rd cent uses	63,204		63,204	
Unrestricted	656,318	128,078	784,396	74,541
	-----	-----	-----	-----
Total net position	719,522	128,078	847,600	74,541
	=====	=====	=====	=====

See accompanying notes.

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit DISCLAIM OPINION
	-----				-----			
	Charges for Disbursements	Operating Services and Reimbursements	Capital Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:	-----	-----	-----	-----	-----	-----	-----	-----
Governmental activities:								
General government	165,056	757			-164,299		-164,299	
Public safety	164,339	29,465	1,400		-133,474		-133,474	
Public works	763,579	100,652	16,796	60,753	-585,378		-585,378	
Health and welfare	1,500				-1,500		-1,500	
Culture and recreation	67,244	3,550			-63,694		-63,694	
Economic development	34,567				-34,567		-34,567	
	-----	-----	-----	-----	-----	-----	-----	
Total governmental activities	1,196,285	134,424	18,196	60,753	-982,912	0	-982,912	
Business-type activities:								
Water	122,979	143,753	39,163			59,937	59,937	
Sewer	109,225	91,881				-17,344	-17,344	
	-----	-----	-----	-----	-----	-----	-----	
Total business-type activities	232,204	235,634	39,163	0	0	42,593	42,593	
	-----	-----	-----	-----	-----	-----	-----	
Total primary government	1,428,489	370,058	57,359	60,753	-982,912	42,593	-940,319	
	=====	=====	=====	=====	-----	-----	-----	
Component Unit:								
Murdo Housing and Redevelopment Comm.	377,414	110,376	72,179	202,738				7,879
	=====	=====	=====	=====				-----
General receipts:								
Taxes:								
Property taxes					236,881		236,881	
Sales taxes					561,095		561,095	
State shared receipts					50,054		50,054	
County shared receipts					240,617		240,617	
Interest and dividends received					5,187		5,187	-3
Rents and franchise fees					3,208		3,208	
Donations					1,750		1,750	
Liquor operating agreements					26,297		26,297	
Miscellaneous receipts					2,524		2,524	
Sale of surplus property					26,252		26,252	
					-----	-----	-----	-----
Total general receipts					1,153,865	0	1,153,865	-3
					-----	-----	-----	-----
Change in net position					170,953	42,593	213,546	7,876
Net position:								
January 1, 2021					548,569	85,485	634,054	66,665
					-----	-----	-----	-----
December 31, 2021					719,522	128,078	847,600	74,541
					=====	=====	=====	=====

See accompanying notes.

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit UNMODIFIED OPINION
	Disbursements	Charges for Services and Contributions	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	167,327	1,020			-166,307		-166,307	
Public safety	147,721			26,280	-121,441		-121,441	
Public works	553,943	114,894		143,354	-295,695		-295,695	
Health and welfare	1,500				-1,500		-1,500	
Culture and recreation	21,213				-21,213		-21,213	
Economic development	33,160				-33,160		-33,160	
Debt service	138,452				-138,452		-138,452	
Total governmental activities	1,063,316	115,914	0	169,634	-777,768	0	-777,768	
Business-type activities:								
Water	111,080	135,280				24,200	24,200	
Sewer	59,354	90,425				31,071	31,071	
Total business-type activities	170,434	225,705	0	0	0	55,271	55,271	
Total primary government	1,233,750	341,619	0	169,634	-777,768	55,271	-722,497	
Component Unit:								
Murdo Housing and Redevelopment Comm.	506,202	111,181	56,898	268,268				-69,855
General receipts:								
Taxes:								
Property taxes					225,814		225,814	
Sales taxes					511,924		511,924	
Amusement taxes					84		84	
State shared receipts					45,168		45,168	
County shared receipts					2,369		2,369	
Interest and dividends received					10,533		10,533	1,084
Rents and franchise fees					700		700	
Donations					10,000		10,000	
Liquor operating agreements					27,946		27,946	
Miscellaneous receipts					15,196		15,196	
Compensation for damaged property					11,438		11,438	
Total general receipts					861,172	0	861,172	1,084
Change in net position					83,404	55,271	138,675	-68,771
Net position:								
January 1, 2020					287,583	30,214	317,797	135,436
Add fire department cash					177,582		177,582	
					465,165	30,214	495,379	135,436
December 31, 2020					548,569	85,485	634,054	66,665

See accompanying notes.

CITY OF MURDO

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2021

	General Fund	3rd Cent Sales Tax Fund	Total
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	656,318	63,204	719,522
	-----	-----	-----
Total assets	656,318	63,204	719,522
	=====	=====	=====
 FUND BALANCE:			
Nonspendable			0
Restricted		63,204	63,204
Committed			0
Assigned	190,784		190,784
Unassigned	465,534		465,534
	-----	-----	-----
Total fund balances	656,318	63,204	719,522**
	=====	=====	=====

** Equals net position on
statement of net position

See accompanying notes.

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	General Fund	3rd Cent Sales Tax Fund	2021 Totals	General Fund	3rd Cent Sales Tax Fund	2020 Totals
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	236,881		236,881	225,814		225,814
General sales taxes	489,213	71,882	561,095	456,476	55,448	511,924
Amusement taxes			0	84		84
Licenses and permits:	750		750	1,000		1,000
Intergovernmental:						
Federal shared revenue:	77,549		77,549	155,533		155,533
State shared revenue:						
Grants	1,400		1,400	14,101		14,101
Bank franchise tax	4,925		4,925	4,551		4,551
Commercial prorate	3,351		3,351	2,689		2,689
Liquor tax reversion	3,551		3,551	3,378		3,378
5% motor vehicle licenses	10,220		10,220	7,959		7,959
Highway and bridge	27,707		27,707	26,591		26,591
Other	300		300			0
County shared revenue	240,617		240,617	2,369		2,369
Charges for goods and services:						
Fire fees	29,465		29,465			0
Sanitation and landfill	64,099		64,099	65,059		65,059
Hay sales	22,081		22,081	8,625		8,625
Gravel sales			0	27,500		27,500
Pool	3,050		3,050			0
Recreation	500		500			0
Fines and forfeits:						
Court fines and cost	7		7	20		20
Miscellaneous:						
Interest and dividends	5,187		5,187	10,533		10,533
Rents and franchise	3,208		3,208	700		700
Special assessments	14,472		14,472	13,710		13,710
Donations	1,750		1,750	10,000		10,000
Liquor operating agreements	26,297		26,297	27,946		27,946
Other	2,524		2,524	15,196		15,196
Total receipts	1,269,104	71,882	1,340,986	1,079,834	55,448	1,135,282
Disbursements:						
Current:						
General government:						
Mayor and Council	19,860		19,860	20,890		20,890
Financial administration	145,196		145,196	146,437		146,437
Public safety:						
Police	137,884		137,884	139,400		139,400
Fire	26,455		26,455	8,321		8,321
Public works:						
Highways and streets	268,747	4,800	273,547	113,947	4,800	118,747
Sanitation	61,341		61,341	65,084		65,084
Airport	196,193		196,193	56,093		56,093
Health and welfare:						
Health	1,500		1,500	1,500		1,500
Culture and recreation:						
Recreation - pool	41,730		41,730	6,967		6,967
Recreation - baseball	4,058		4,058	373		373
Parks	5,568	12,993	18,561	3,883	9,594	13,477
Auditorium	2,503		2,503			0
Tennis	392		392	396		396
Conservation and development:						
Economic development		34,567	34,567		33,160	33,160
Debt service - principal			0	125,000	8,328	133,328
- interest			0	5,041	83	5,124
Capital outlay	232,498		232,498	314,019		314,019
Total disbursements	1,143,925	52,360	1,196,285	1,007,351	55,965	1,063,316
Excess of receipts over (under) disbursements	125,179	19,522	144,701	72,483	-517	71,966
Other financing sources (uses):						
Compensation for damaged property			0	11,438		11,438
Sale of surplus property	26,252		26,252			0
Net change in fund balance	151,431	19,522	170,953**	83,921	-517	83,404**
Fund balance:						
January 1, 2020				243,384	44,199	287,583
Add fire department cash				177,582		177,582
January 1, 2020 adjusted				420,966	44,199	465,165
January 1, 2021	504,887	43,682	548,569	504,887	43,682	548,569
December 31, 2021	656,318	63,204	719,522			

** Equals change in net position on
Statement of Activities
See accompanying notes.

CITY OF MURDO

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	115,598	12,480	128,078
	-----	-----	-----
Total assets	115,598	12,480	128,078
	=====	=====	=====
NET POSITION			
Unrestricted	115,598	12,480	128,078
	-----	-----	-----
Total net position	115,598	12,480	128,078
	=====	=====	=====

See accompanying notes.

CITY OF MURDO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Water Fund	Sewer Fund	2021 Total	Water Fund	Sewer Fund	2020 Total
	-----	-----	-----	-----	-----	-----
Operating receipts:						
Charges for goods and services	143,753	91,881	235,634	135,280	90,425	225,705
	-----	-----	-----	-----	-----	-----
Total operating receipts	143,753	91,881	235,634	135,280	90,425	225,705
	-----	-----	-----	-----	-----	-----
Operating disbursements:						
Personal services	26,307		26,307	21,561		21,561
Other current services	41,667	109,225	150,892	35,811	59,354	95,165
Cost of goods sold	50,517		50,517	49,220		49,220
	-----	-----	-----	-----	-----	-----
Total operating disbursements	118,491	109,225	227,716	106,592	59,354	165,946
	-----	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	25,262	-17,344	7,918	28,688	31,071	59,759
Nonoperating receipts (disbursements):						
Federal grant	39,163		39,163			0
Debt service - principal	-2,546		-2,546	-2,472		-2,472
- interest	-1,942		-1,942	-2,016		-2,016
	-----	-----	-----	-----	-----	-----
Total nonoperating receipts (disbur	34,675	0	34,675	-4,488	0	-4,488
Excess receipts (disbursements) before transfers	59,937	-17,344	42,593	24,200	31,071	55,271
Transfers in (out) - None			0			0
	-----	-----	-----	-----	-----	-----
Change in net position	59,937	-17,344	42,593	24,200	31,071	55,271
Net position (deficit):						
January 1, 2020				31,461	-1,247	30,214
				-----	-----	-----
December 31, 2020	55,661	29,824	85,485	55,661	29,824	85,485
	-----	-----	-----	=====	=====	=====
December 31, 2021	115,598	12,480	128,078			
	=====	=====	=====			

See accompanying notes.

CITY OF MURDO

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Water Fund	Sewer Fund	2021 Total	Water Fund	Sewer Fund	2020 Total
	-----	-----	-----	-----	-----	-----
Cash flows from:						
Operating activities:						
Receipts from customers	143,753	91,881	235,634	135,280	90,425	225,705
Payments to employees	-26,307		-26,307	-21,561		-21,561
Payments to suppliers	-92,184	-109,225	-201,409	-85,031	-59,354	-144,385
Net cash provided (used) by operating activities	----- 25,262	----- -17,344	----- 7,918	----- 28,688	----- 31,071	----- 59,759
Noncapital financing activities:						
Federal grant	39,163		39,163			0
Capital financing activities:						
Debt service - principal	-2,546		-2,546	-2,472		-2,472
- interest	-1,942		-1,942	-2,016		-2,016
Investing activities:						
None			0			0
Net increase (decrease) in cash and cash equivalents	----- 59,937	----- -17,344	----- 42,593	----- 24,200	----- 31,071	----- 55,271
Cash and cash equivalents:						
January 1, 2020				31,461	-1,247	30,214
December 31, 2020	55,661	29,824	85,485	55,661	29,824	85,485
December 31, 2021	=====	=====	=====	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	25,262	-17,344	7,918	28,688	31,071	59,759
Net cash provided (used) by operating activities	----- 25,262	----- -17,344	----- 7,918	----- 28,688	----- 31,071	----- 59,759
Noncash investing, capital and financing activities: None						

See accompanying notes.

CITY OF MURDO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

The funds included in this report are controlled by or dependent upon the City of Murdo's (City) governing board.

At December 31, 2021 City officials are:

Governing Board:	Finance Officer:
David Geisler, Mayor	Krysti Barnes
Wayne Esmay, President	Attorney:
Larry Ball	Lynn, Jackson, Schultz, & Lebrun, PC
Jay Drayer	
Mike Jost	
Kit Talich	
Russ Wilbur	

The City's financial reporting entity is composed of the following:

Primary government: City of Murdo
Component unit: Murdo Housing & Redevelopment Commission

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Murdo consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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.

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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Murdo Housing and Redevelopment Commission (MHRC) is a component unit of the City of Murdo and represents 100% of the balances and activity of the discretely presented component unit column of these financial statements.

MHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7 to provide housing through the operation of a rental housing complex. Financial information about MHRC is available at Murdo's City Hall.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). 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 and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of City's business-type activities. Direct disbursements are associated with a specific program or function and are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general receipts.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City 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. The City has the following special revenue fund:

3rd Cent Sales Tax Fund - A fund established by SDCL 10-52-8, to account for the collection of a 1% tax on the gross receipts of lodgings, 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 promotion and advertising of the City. The 3rd cent sales tax fund is a major fund.

Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Murdo. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Murdo. The sewer fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Murdo has no fiduciary funds.

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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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 modified cash basis of accounting.

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, 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 does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Custodial Net Position".

i. 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 which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

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

- * Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund cash 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 cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- * Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Murdo fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	3rd Cent: Promotion	Statute	63,204
Committed	None		0
Assigned	General fund: Fire department	Finance Officer	190,784
Unassigned	General fund		465,534

			719,522

The City uses "restricted" and "committed" amounts first when 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 City 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 cash balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 9)
* 3rd Cent	Sales tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. In 2021 the general fund/culture and recreation/parks went over its budget by \$1,568. This is not considered a significant violation of a departmental expenditure compared to appropriations. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its 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. 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository

may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2021 were as follows: Insured \$356,980, Collateralized ** \$549,915 for a total of \$906,895.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2021 was \$847,600 held as follows.

First Fidelity Bank, (Murdo, SD):	
Checking	549,932
Savings	29,223
Fire department accounts	190,784
First National Bank, (Murdo, SD):	
Savings	77,621

	847,560
Petty cash	40

	847,600
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) 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 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.

During 2020 and 2021 the City had no investments.

Investment 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.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. During 2020 and 2021 the City had no investment and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2021, the City's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the general fund.

5. RESTRICTED NET POSITION

The following table shows the December 31, 2021 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
3rd Cent uses	Statute	63,204	
		-----	-----
Total Restricted Net Position		63,204	0

6. LONG-TERM LIABILITIES

FUTURE REVENUES PLEDGED TO SECURE DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 26. The City does not have any short term or conduit debt.

All water fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the West River Lyman Jones Rural Water System Loan which has a remaining balance of \$63,326. The loan was made to cover the cost of water tower improvements and is described on page 26. The loan matures in 2040. In 2021 the loan had pledged revenue of \$25,262 before loan payments of \$4,488.

7. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2021, 2020, and 2019 were \$14,242, \$15,516 and \$16,253 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2021 SDRS is 105.52% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 1,688,231
Less: Proportionate share of net position restricted for pension benefits	(1,781,470)

Proportionate share of net pension (asset)/liability	\$ (93,239)
	=====

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .000121750 which is an increase of .000003883 over its proportion measured as of June 30, 2020.

Actuarial Assumptions:

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$150,978	\$(93,240)	\$(291,488)

Pension Plan Fiduciary Net Position:

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

8. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

The City is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the City: a) general fund \$27.00; b) bond redemption funds: Amts required by Bond Agreements; c) judgment fund (upon a judgment being made) \$10.00. State statute allows the tax rates to be raised by special election of the voters.

9. INSURANCE

The City 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 two years ending December 31, 2021 the City managed its risks as follows:

Employee Health Insurance:

The City purchased health insurance for its employees from a commercial carrier. 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 coverage during the past three years.

Liability Insurance:

The City 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 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 a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expense whether reported or unreported at the time of their departure from SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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 during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have 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 2020 and 2021, no claims were paid for unemployment and none are expected to be paid in 2022.

11. 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.

Members of the joint venture are as follows:

Counties: Tripp, Aurora, Jerauld, Brule, Lyman, Buffalo, Jones, and Mellette

Cities: White Lake, Wessington Springs, Plankinton, Reliance, White River, Alpena, Lane, 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 in Pukwana, South Dakota. At December 31, 2021 landfill had an AUDITED net position of \$2,110,646 and long-term liabilities of \$1,066,140.

12. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

13. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

A member of the Murdo City Council is also the City's only electrician and was paid for certain electrical repair work in 2020 and 2021.

An airport hanger project was started in 2022 with an estimated cost of \$800,000.

CITY OF MURDO

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

				Governmental Activities	Business-Type Activities	Principal
	Beginning 12-31-19	2020 Additions (Deletions)	2021 Additions (Deletions)	Ending 12-31-21	Ending 12-31-21	Due in 2022
GOVERNMENTAL - DIRECT BORROWING						
2005 West Central Electric Cooperative Loan:						
Original face amount: \$116,620						
Maturing on August 1, 2020 after refinancing balloon						
Interest at 1.00%						
Annual payments of \$8,411.00						
Purpose: Construction of Community						
Tech Center Facility						
Paid by 3rd cent sales tax fund	8,328	-8,328		0		0
2018 Bank Line-of-Credit:						
Note maximum amount: \$500,000						
Maturing November 6, 2021, interest at 4.00%						
Payment at maturity date						
Paid by the general fund	125,000	-125,000		0		0
Totals	133,328	-133,328	0	0	0	0

BUSINESS-TYPE - DIRECT BORROWING

2000 West River Lyman Jones Rural Water Systems Loan:						
Original face amount: \$103,615						
Maturing on October 1, 2040, interest at 3.00%						
Minimum payment of \$374 per month						
Purpose: Water tower improvements						
Paid by the water fund	68,344	-2,472	-2,546		63,326	2,588
Totals	68,344	-2,472	-2,546		63,326	2,588

Payment Schedules:	Total Payment	Principal	Interest	Balance
2000 West River Lyman Jones Rural Water Systems Loan:				
2022	4,488	2,588	1,900	60,738
2023	4,488	2,666	1,822	58,072
2024	4,488	2,746	1,742	55,326
2025	4,488	2,828	1,660	52,498
2026	4,488	2,913	1,575	49,585
2027-2031	22,440	15,930	6,510	33,655
2032-2036	22,440	18,467	3,973	15,188
2037-2040	16,270	15,188	1,082	0
Totals	83,590	63,326	20,264	

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	232,429		232,429	236,881	4,452
General sales and use taxes	430,000		430,000	489,213	59,213
Amusement tax	100		100		-100
Licenses and permits:	500		500	750	250
Intergovernmental receipts:					
Federal shared receipts:			0	77,549	77,549
State shared receipts:					
Grants			0	1,400	1,400
Bank franchise tax	4,500		4,500	4,925	425
Commercial prorate			0	3,351	3,351
Liquor tax reversion	3,100		3,100	3,551	451
5% motor vehicle licenses	25,000		25,000	10,220	-14,780
Highway and bridge	26,000		26,000	27,707	1,707
Other			0	300	300
County shared receipts:	2,400	238,250	240,650	240,617	-33
Charges for goods and services:					
Fire fees			0	29,465	29,465
Sanitation and landfill	65,500		65,500	64,099	-1,401
Hay sales	5,000		5,000	22,081	17,081
Pool	4,000		4,000	3,050	-950
Recreation	500		500	500	0
Fines and forfeits:			0	7	7
Miscellaneous receipts:					
Interest and dividends	4,000		4,000	5,187	1,187
Rents and franchise fees	2,600		2,600	3,208	608
Special assessment	20,000		20,000	14,472	-5,528
Donations			0	1,750	1,750
Liquor operating agreements	23,700		23,700	26,297	2,597
Other	10,000		10,000	2,524	-7,476
Total receipts	859,329	0	238,250	1,097,579	171,525
Disbursements:					
General government:					
Mayor and Council	18,964	1,250	20,214	19,860	354
Contingency	60,708		60,708		60,708
Amount transferred		-39,950	-39,950		-39,950
Elections			0		0
Financial administration	133,904	13,100	147,004	145,196	1,808
Public safety:					
Police	143,190		143,190	137,884	5,306
Fire	208,400		208,400	26,455	181,945
Public works:					
Highways and streets	400,144	21,000	238,250	501,245	158,149
Sanitation	64,671		64,671	61,341	3,330
Airport	4,350	200,000	204,350	196,193	8,157
Health and welfare:					
Health	1,500		1,500	1,500	0
Culture and recreation:					
Recreation	42,298	4,000	46,298	45,788	510
Parks	4,000		4,000	5,568	-1,568
Auditorium	2,000	600	2,600	2,503	97
Tennis	500		500	392	108
Total disbursements	1,084,629	0	438,250	1,522,879	378,954
Excess of receipts over (under) disbursements	-225,300	0	-200,000	-425,300	125,179
Other financing sources (uses):					
Transfer in	93,300		93,300		-93,300
Sale of surplus property			0	26,252	26,252
Net change in fund balance	-132,000	0	-200,000	-332,000	151,431
Fund balance:					
January 1, 2021	504,887		504,887	504,887	0
December 31, 2021	372,887	0	-200,000	172,887	656,318

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	224,569			225,814	1,245
General sales and use taxes	430,000			456,476	26,476
Other taxes	100			84	-16
Licenses and permits:	500			1,000	500
Intergovernmental receipts:					
Federal shared receipts:					
Grants				0	155,533
State shared receipts:					
Grants				0	14,101
Bank franchise tax	3,800			4,551	751
Commercial prorate				2,689	2,689
Liquor tax reversion	3,000			3,378	378
5% motor vehicle licenses	25,000			7,959	-17,041
Highway and bridge	26,000			26,591	591
County shared receipts:	2,400			2,369	-31
Charges for goods and services:					
Sanitation and landfill	65,500			65,059	-441
Hay sales	5,000			8,625	3,625
Gravel sales	0			27,500	27,500
Pool	4,500			4,500	-4,500
Recreation	500			500	-500
Fines and forfeits:				0	20
Miscellaneous receipts:					
Interest and dividends	4,000			4,000	10,533
Rents and franchise fees	2,600			700	-1,900
Special assessment	40,000			13,710	-26,290
Donations				10,000	10,000
Liquor operating agreements	25,200			27,946	2,746
Other	10,000			15,196	5,196
Total receipts	872,669	0	0	872,669	1,079,834
Disbursements:					
General government:					
Mayor and Council	18,964	2,600		21,564	20,890
Contingency	61,013			61,013	61,013
Amount transferred		-61,013		-61,013	-61,013
Elections				0	0
Financial administration	139,397	7,300	7,094	153,791	146,437
Public safety:					
Police	146,963			146,963	139,400
Fire	108,400			108,400	8,321
Public works:					
Highways and streets	402,371		30,717	433,088	427,966
Sanitation	65,671			65,671	65,084
Airport	4,850		51,318	56,168	56,093
Health and welfare:					
Health	1,500			1,500	1,500
Culture and recreation:					
Recreation	42,298			42,298	7,340
Parks	4,000			4,000	3,883
Auditorium	2,000			2,000	2,000
Tennis	500			500	396
Debt service		51,113	78,928	130,041	130,041
Total disbursements	997,927	0	168,057	1,165,984	1,007,351
Excess of receipts over (under) disbursements	-125,258	0	-168,057	-293,315	72,483
Other financing sources (uses):					
Transfer in	81,258		168,057	249,315	0
Compensation for damaged property				11,438	11,438
Net change in fund balance	-44,000	0	0	-44,000	83,921
Fund balance:					
January 1, 2020, adjusted	420,966			420,966	420,966
December 31, 2020	376,966	0	0	376,966	504,887

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	62,000		62,000	71,882	9,882
Total receipts	62,000	0	62,000	71,882	9,882
Disbursements:					
General government:					
Other			0		0
Public works:					
Highways and streets	5,000		5,000	4,800	200
Culture and recreation:					
Parks	21,900		21,900	12,993	8,907
Conservation and development:					
Economic development	35,100		35,100	34,567	533
Total disbursements	62,000	0	62,000	52,360	9,640
Excess of receipts over (under) disbursements	0	0	0	19,522	19,522
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	19,522	19,522
Fund balance:					
January 1, 2021	43,682		43,682	43,682	0
December 31, 2021	43,682	0	43,682	63,204	19,522

FOR THE YEAR ENDING DECEMBER 31, 2020

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	65,000		65,000	55,448	-9,552
Total receipts	65,000	0	65,000	55,448	-9,552
Disbursements:					
General government:					
Other			0		0
Public works:					
Highways and streets	5,000		5,000	4,800	200
Culture and recreation:					
Parks	17,589		17,589	9,594	7,995
Conservation and development:					
Economic development	34,000		34,000	33,160	840
Debt service:	8,411		8,411	8,411	0
Total disbursements	65,000	0	65,000	55,965	9,035
Excess of receipts over (under) disbursements	0	0	0	-517	-517
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	-517	-517
Fund balance:					
January 1, 2020	44,199		44,199	44,199	0
December 31, 2020	44,199	0	44,199	43,682	-517

CITY OF MURDO

SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND
AND 3RD CENT FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Murdo (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. 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.
- b. 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 d.
- c. 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.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2020 and 2021 there were supplemental budgets to the general fund. See page 27 and 28.
- e. Formal budgetary integration is employed as a management control device for the general fund and 3rd cent special revenue fund.
- f. The budget for the general fund and 3rd cent special revenue fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF MURDO
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0121750%	-93,240	250,045	(37.29%)	105.52%
June 30, 2020	0.0117867%	-512	232,350	(0.22%)	100.04%
June 30, 2019	0.0115292%	-1,222	221,506	(0.56%)	100.09%
June 30, 2018	0.0102778%	-240	196,928	(0.13%)	100.02%
June 30, 2017	0.0095441%	-866	181,513	(0.48%)	100.10%
June 30, 2016	0.0090958%	30,725	161,888	18.98%	96.89%
June 30, 2015	0.0057411%	-24,350	101,764	(23.93%)	104.10%
June 30, 2014	0.0058600%	-42,219	102,483	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective Net pension (asset)/liability which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MURDO
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2021	14,242	14,242	0	214,804	6.63%
December 31, 2020	15,516	15,516	0	232,266	6.68%
December 31, 2019	16,253	16,253	0	244,884	6.64%
December 31, 2018	13,206	13,206	0	202,998	6.51%
December 31, 2017	12,331	12,331	0	192,354	6.41%
December 31, 2016	11,266	11,266	0	175,893	6.41%
December 31, 2015	7,169	7,169	0	116,085	6.18%
December 31, 2014	6,206	6,206	0	103,437	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MURDO

SUPPLEMENTARY INFORMATION - PENSION

NOTES TO THE SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/
LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING
DECEMBER 31, 2021

Changes of Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 actuarial valuation.

Actuarial Method Changes:

No changes in actuarial methods were made since the prior valuation.

CITY OF MURDO

COMPONENT UNIT
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2021

	Murdo Housing & Redevelopment Commission 12-31-2021 DISCLAIM OPINION -----
Cash assets:	
Cash	31,846
Certificates of deposit	0
Investments	42,695

	74,541
	=====
Net position:	
Unrestricted	74,541

Total net position	74,541
	=====

COMPONENT UNIT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN NET POSITION - MODIFIED CASH BASIS
 FOR THE TWO YEARS ENDING OF DECEMBER 31, 2021

	Murdo Housing & Redevelopment Commission 12-31-2021 DISCLAIM OPINION -----	Murdo Housing & Redevelopment Commission 12-31-2020 UNMODIFIED OPINION -----
Receipts:		
Tenant rents, other receipts	110,376	111,181
	-----	-----
Total receipts	110,376	111,181
	-----	-----
Disbursements:		
Administrative	47,149	41,872
Tenant services	954	846
Utilities	41,611	43,780
Maintenance	69,070	75,272
Insurance and taxes	25,451	31,537
Capital purchases	193,179	312,895
	-----	-----
Total disbursements	377,414	506,202
	-----	-----
Excess of receipts over (under) disbursements	-267,038	-395,021
Other financing sources (uses):		
Interest received	-3	1,084
HUD operating subsidy	72,179	49,309
HUD operating subsidy - CARES		7,589
	-----	-----
Total other financing sources (uses)	72,176	57,982
HUD capital contributions	202,738	268,268
	-----	-----
Change in net position	7,876	-68,771
Net position:		
December 31, 2019		135,436

December 31, 2020	66,665	66,665
	-----	=====
December 31, 2021	74,541	
	=====	

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

Governing Board
City of Murdo
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 modified cash basis financial statements of governmental activities, business-type activities, the 2020 discretely presented component unit, and each major fund of the City of Murdo (City), Jones County, South Dakota, as of December 31, 2021 and for the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic modified cash basis financial statements and have issued my report thereon dated June 29, 2023, which was qualified except for an unmodified opinion on the 2020 discretely presented component unit. I was not engaged to audit the 2021 discretely presented component unit and issued a disclaimer of opinion on the 2021 discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Murdo's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, 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 of Murdo's internal control.

A *deficiency in internal control* exist 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 City of Murdo's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

I did identify deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2021-01 and 2021-02, that I consider to be significant deficiencies.

Government Auditing Standards require the auditor to perform limited procedures on the City's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Report on Internal Control and Compliance and Other Matters
Page Two

Also, I did note minor matters involving internal control that I reported to the governing body and management of the City of Murdo in a separate Letter of Comments dated June 29, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Murdo'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 did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

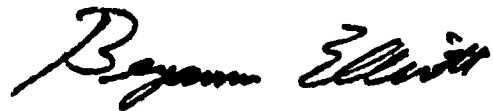
However, I did note minor matters involving compliance that I reported to the governing body and management of the City of Murdo in a separate Letter of Comments dated June 29, 2023.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Murdo's internal control over financial reporting 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



June 29, 2023

CITY OF MURDO
SCHEDULES OF FINDINGS
DECEMBER 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:

The prior audit was not subject to federal Single Audit compliance requirements.

Prior Other Audit Findings:

2019-001 [Segregation of Duties] Repeated below as 2021-001

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Disclaimer of Opinion:

2021 Component Unit

Qualified Opinion:

Governmental Activities

Business-Type Activities

All Funds

Unmodified Opinion:

2020 Component Unit

Noncompliance material to financial
statements noted?

None Reported

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

Finding 2021-001
2021-002

Part II - Findings Relating to the Financial Statements

Finding 2021-001: Lack of Proper Segregation of Duties
(internal control - first reported in 2013)

Criteria:

Management of a municipality is responsible for establishing and maintaining an internal control structure to provide management and the taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

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

Effect:

Inadequate segregation of duties can lead to the misappropriation of funds.

Recommendation:

I recommend the City of Murdo's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response:

This comment is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to adequately segregate duties. The City of Murdo is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue to exist.

**Finding 2021-002: Preparation of Financial Statements
(internal control)**

Condition:

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements and the preparation of the financial statements.

Cause of the Condition:

The City Council has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response:

Due to cost constraints, the City Council has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Murdo's response to the findings identified in my audit and described in the above Schedule of Findings and Responses. The City of Murdo's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.