

CITY OF MURDO
MURDO, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF MURDO
MURDO, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2023

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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

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
City of Murdo
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions:

I have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Murdo (City), Jones County, South Dakota as of December 31, 2023, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Murdo as of December 31, 2023, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for each years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1c.

Basis for Opinions:

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*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 Statements section of my report. I am required to be independent of the City 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 audit opinions.

Emphasis of Matter - Basis of Accounting:

I draw attention to note 1c 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 opinion is not modified with respect to this matter.

Management's Responsibilities 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 1c, 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 these financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve 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 Financial Statements:

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 (GAAS) 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'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'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.

Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America allow the Budgetary Comparison Schedules (page 27 to 30), the City's Proportionate Share of Net Pension (Asset)/Liability (page 31), and the Schedule of the City's Contribution (page 31) be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is allowed by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical

context. I have applied certain limited procedures to the allowed 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 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.

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.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

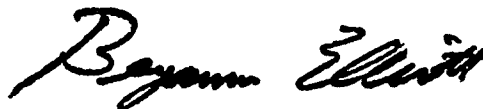
In my opinion, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated May 1, 2025 (page 34) on my consideration of City 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 of Murdo's internal control over financial reporting and compliance.

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

May 1, 2025



CITY OF MURDO

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2023

Primary Government

	Governmental Activities	Business- Type Activities	Total	Component Unit
	-----	-----	-----	-----
ASSETS:				
Cash and cash equivalents	929,492	100,060	1,029,552	54,235
Investments	0	0	0	2,772
	-----	-----	-----	-----
Total assets	929,492	100,060	1,029,552	57,007
	=====	=====	=====	=====
NET POSITION:				
Restricted for:				
3rd cent uses	63,989		63,989	
Unrestricted	865,503	100,060	965,563	57,007
	-----	-----	-----	-----
Total net position	929,492	100,060	1,029,552	57,007
	=====	=====	=====	=====

See accompanying notes..

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2023

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	184,213	18,448			-165,765		-165,765	
Public safety	250,353	59,555			-190,798		-190,798	
Public works	527,463	72,528	20,160		-434,775		-434,775	
Health and welfare	1,500				-1,500		-1,500	
Culture and recreation	165,182	4,421			-160,761		-160,761	
Economic development	78,616				-78,616		-78,616	
Total governmental activities	1,207,327	154,952	20,160	0	-1,032,215	0	-1,032,215	
Business-type activities:								
Water	160,808	151,619				-9,189	-9,189	
Sewer	39,806	97,900				58,094	58,094	
Total business-type activities	200,614	249,519	0	0	0	48,905	48,905	
Total primary government	1,407,941	404,471	20,160	0	-1,032,215	48,905	-983,310	
Component Unit:								
Murdo Housing and Redevelopment Comm.	234,410	114,010	48,499	63,660				-8,241
General receipts:								
Taxes:								
Property taxes					237,541		237,541	
Sales taxes					531,135		531,135	
State shared receipts					64,168		64,168	
County shared receipts					2,369		2,369	
Interest and dividends received					6,583		6,583	4,621
Rents and franchise fees					7,074		7,074	
Donations					66,761		66,761	
Liquor operating agreements					25,553		25,553	
Miscellaneous receipts					30,569		30,569	
Transfer:					120,000	-120,000	0	
Total general receipts					1,091,753	-120,000	971,753	4,621
Change in net position					59,538	-71,095	-11,557	-3,620
Net position:								
January 1, 2023					869,954	171,155	1,041,109	60,627
December 31, 2023					929,492	100,060	1,029,552	57,007

See accompanying notes.

CITY OF MURDO
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2022

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Unit
	Disbursements	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Totals	
		Services and Reimbursements	Grants and Contributions	Grants and Contributions				
Primary government:								
Governmental activities:								
General government	166,017	1,414			-164,603		-164,603	
Public safety	301,784	127,423			-174,361		-174,361	
Public works	959,825	68,283	70,125	609,018	-212,399		-212,399	
Health and welfare	1,500				-1,500		-1,500	
Culture and recreation	144,273	3,986			-140,287		-140,287	
Economic development	61,092				-61,092		-61,092	
Total governmental activities	1,634,491	201,106	70,125	609,018	-754,242	0	-754,242	
Business-type activities:								
Water	156,023	153,598	41,547			39,122	39,122	
Sewer	86,440	90,395				3,955	3,955	
Total business-type activities	242,463	243,993	41,547	0	0	43,077	43,077	
Total primary government	1,876,954	445,099	111,672	609,018	-754,242	43,077	-711,165	
Component Unit:								
Murdo Housing and Redevelopment Comm.	316,868	143,371	36,959	119,966				-16,572
General receipts:								
Taxes:								
Property taxes					238,691		238,691	
Sales taxes					533,640		533,640	
State shared receipts					74,500		74,500	
County shared receipts					2,369		2,369	
Interest and dividends received					5,465		5,465	2,658
Rents and franchise fees					5,693		5,693	
Liquor operating agreements					24,112		24,112	
Miscellaneous receipts					20,204		20,204	
Total general receipts					904,674	0	904,674	2,658
Change in net position					150,432	43,077	193,509	-13,914
Net position:								
January 1, 2022					719,522	128,078	847,600	74,541
December 31, 2022					869,954	171,155	1,041,109	60,627

See accompanying notes.

CITY OF MURDO

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2023

	General Fund	3rd Cent Sales Tax Fund	Total
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	865,503	63,989	929,492
	-----	-----	-----
Total assets	865,503	63,989	929,492
	=====	=====	=====
 FUND BALANCE:			
Nonspendable			0
Restricted		63,989	63,989
Committed			0
Assigned	180,508		180,508
Unassigned	684,995		684,995
	-----	-----	-----
Total fund balances	865,503	63,989	929,492**
	=====	=====	=====

** Equals net position on
statement of net position

See accompanying notes.

CITY OF MURDO
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	General Fund	3 rd Cent Sales Tax Fund	2023 Totals	General Fund	3 rd Cent Sales Tax Fund	2022 Totals
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	237,541		237,541	238,691		238,691
General sales taxes	465,108	66,027	531,135	465,479	68,161	533,640
Licenses and permits:	6,300		6,300	250		250
Intergovernmental:						
Federal shared revenue:	20,160		20,160	676,903		676,903
State shared revenue:						
Grants			0	2,240		2,240
Bank franchise tax	5,563		5,563	3,929		3,929
Commercial prorate	3,813		3,813	3,683		3,683
Liquor tax reversion	3,265		3,265	3,328		3,328
5% motor vehicle licenses	10,309		10,309	18,235		18,235
Highway and bridge	28,718		28,718	27,929		27,929
Other	12,500		12,500	17,396		17,396
County shared revenue	2,369		2,369	2,369		2,369
Charges for goods and services:						
Fire fees	59,555		59,555	127,423		127,423
Sanitation and landfill	60,468		60,468	54,436		54,436
Hay sales	11,248		11,248	1,787		1,787
Pool	3,731		3,731	3,186		3,186
Recreation	690		690	800		800
Fines and forfeits:						
Court fines and cost	900		900	1,164		1,164
Miscellaneous:						
Interest and dividends	6,583		6,583	5,465		5,465
Rents and franchise	7,074		7,074	5,693		5,693
Special assessments	12,060		12,060	12,060		12,060
Donation	66,761		66,761			0
Liquor operating agreements	25,553		25,553	24,112		24,112
Other	30,569		30,569	20,204		20,204
Total receipts	1,080,838	66,027	1,146,865	1,716,762	68,161	1,784,923
Disbursements:						
Current:						
General government:						
Mayor and Council	27,081		27,081	28,360		28,360
Financial administration	152,743		152,743	137,657		137,657
Public safety:						
Police	80,958		80,958	74,716		74,716
Fire	88,195		88,195	218,668		218,668
Public works:						
Highways and streets	137,954	4,800	142,754	144,821	4,400	149,221
Sanitation	73,286		73,286	58,749		58,749
Airport	67,057		67,057			0
Health and welfare:						
Health	1,500		1,500	1,500		1,500
Culture and recreation:						
Recreation - pool	69,575		69,575	36,207		36,207
Recreation - baseball	3,562		3,562	3,248		3,248
Parks	73,794	15,968	89,762	79,648	22,572	102,220
Auditorium			0	2,241		2,241
Tennis	391		391	357		357
Conservation and development:						
Economic development	27,581	51,035	78,616	24,825	34,628	59,453
Capital outlay	331,847		331,847	761,894		761,894
Total disbursements	1,135,524	71,803	1,207,327	1,572,891	61,600	1,634,491
Excess of receipts over (under) disbursements	-54,686	-5,776	-60,462	143,871	6,561	150,432
Other financing sources (uses):						
Transfer in - water	120,000		120,000			0
Net change in fund balance	65,314	-5,776	59,538**	143,871	6,561	150,432**
Fund balance:						
January 1, 2022				656,318	63,204	719,522
December 31, 2022	800,189	69,765	869,954	800,189	69,765	869,954
December 31, 2023	865,503	63,989	929,492			

** 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, 2023

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	25,531	74,529	100,060
	-----	-----	-----
Total assets	25,531	74,529	100,060
	=====	=====	=====
NET POSITION			
Unrestricted	25,531	74,529	100,060
	-----	-----	-----
Total net position	25,531	74,529	100,060
	=====	=====	=====

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, 2023

	Water Fund	Sewer Fund	2023 Total	Water Fund	Sewer Fund	2022 Total
	-----	-----	-----	-----	-----	-----
Operating receipts:						
Charges for goods and services	151,619	97,900	249,519	153,598	90,395	243,993
	-----	-----	-----	-----	-----	-----
Total operating receipts	151,619	97,900	249,519	153,598	90,395	243,993
	-----	-----	-----	-----	-----	-----
Operating disbursements:						
Personal services	41,281	37,663	78,944	8,759	54,450	63,209
Other current services	65,235	2,143	67,378	69,385	5,797	75,182
Cost of goods sold	49,804		49,804	49,930		49,930
Capital disbursements			0	23,461	26,193	49,654
	-----	-----	-----	-----	-----	-----
Total operating disbursements	156,320	39,806	196,126	151,535	86,440	237,975
	-----	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	-4,701	58,094	53,393	2,063	3,955	6,018
Nonoperating receipts (disbursements):						
Federal grant			0	41,547		41,547
Debt service - principal	-2,740		-2,740	-2,588		-2,588
- interest	-1,748		-1,748	-1,900		-1,900
	-----	-----	-----	-----	-----	-----
Total nonoperating receipts (disbur	-4,488	0	-4,488	37,059	0	37,059
Excess receipts (disbursements) before transfers	-9,189	58,094	48,905	39,122	3,955	43,077
Transfers (out) - general	-120,000		-120,000			0
	-----	-----	-----	-----	-----	-----
Change in net position	-129,189	58,094	-71,095	39,122	3,955	43,077
Net position (deficit):						
January 1, 2022				115,598	12,480	128,078
				-----	-----	-----
December 31, 2022	154,720	16,435	171,155	154,720	16,435	171,155
	-----	-----	-----	=====	=====	=====
December 31, 2023	25,531	74,529	100,060			
	=====	=====	=====			

See accompanying notes.

CITY OF MURDO

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS

ENTERPRISE FUNDS

FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Water Fund -----	Sewer Fund -----	2023 Total -----	Water Fund -----	Sewer Fund -----	2022 Total -----
Cash flows from:						
Operating activities:						
Receipts from customers	151,619	97,900	249,519	153,598	90,395	243,993
Payments to employees	-41,281	-37,663	-78,944	-8,759	-54,450	-63,209
Payments to suppliers	-115,039	-2,143	-117,182	-119,315	-5,797	-125,112
Payments for capital projects			0	-23,461	-26,193	-49,654
Net cash provided (used) by operating activities	----- -4,701	----- 58,094	----- 53,393	----- 2,063	----- 3,955	----- 6,018
Noncapital financing activities:						
Transfer out	-120,000		-120,000			0
Capital financing activities:						
Federal grant			0	41,547		41,547
Debt service - principal	-2,546		-2,546	-2,588		-2,588
- interest	-1,942		-1,942	-1,900		-1,900
Investing activities:						
None			0			0
Net increase (decrease) in cash and cash equivalents	----- -129,189	----- 58,094	----- -71,095	----- 39,122	----- 3,955	----- 43,077
Cash and cash equivalents:						
January 1, 2022				115,598	12,480	128,078
December 31, 2022	154,720	16,435	171,155	154,720	16,435	171,155
December 31, 2023	25,531	74,529	100,060			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	-4,701	58,094	53,393	2,063	3,955	6,018
Net cash provided (used) by operating activities	----- -4,701	----- 58,094	----- 53,393	----- 2,063	----- 3,955	----- 6,018
Noncash investing, capital and financing activities: None						

See accompanying notes.

CITY OF MURDO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023 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	
Quade Slovek	
Kit Talich	

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. - It has no material non-utility transactions with the City of Murdo. 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 good 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	63,989
Committed	None		0
Assigned	General fund: Fire department	Finance Officer	180,508
Unassigned	General fund		684,995

			929,492

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 8)
* 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 2023 the general fund public safety/fire went over its budget by \$10,995. This is not considered a significant violation of a departmental expenditures 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, 2023 were as follows: Insured \$369,271, Collateralized ** \$667,808 for a total of \$1,037,079.

** 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, 2023 was \$1,029,552 held as follows.

First Fidelity Bank, (Murdo, SD):	
Checking	734,334
Savings	29,404
Fire department accounts	180,508
First National Bank, (Murdo, SD):	
Savings	85,266

	1,029,512
Petty cash	40

	1,029,552
	=====

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 2022 and 2023 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 2022 and 2023 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, 2023, 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, 2023 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
3rd Cent uses	Statute	63,989	
		-----	-----
Total Restricted Net Position		63,989	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 \$57,998. The loan was made to cover the cost of water tower improvements and is described on page 26. The loan matures in 2040. In 2023 the loan had negative pledged revenue of \$(4,701) before loan payments of \$4,488.

7. TRANSFER

In 2023 the water fund transferred \$120,000 to the general fund for operations.

8. 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 Information:

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

Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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.

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent. All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, 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, 2023, 2022 and 2021 were \$14,924, \$11,165, and \$14,242 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2023 SDRS is 100.1% 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, 2023 and reported by the City as of December 31, 2023 are as follows:

Proportionate share of total pension liability	\$ 1,303,583
Less: Proportionate share of net position restricted for pension benefits	(1,304,461)

Proportionate share of net pension (asset)/liability	\$ (878)
	=====

The net pension (asset) was measured as of June 30, 2023 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 contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .000089960 which is an increase of .00001165 over its proportion measured as of June 30, 2022.

Actuarial Assumptions:

The total pension (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010
Other Class A Members: Pub G-2010
Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:
Pub T-2010, 108% of rates above age 65
Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (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, 2023 (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
Public Equity	56.3%	3.8%
Investment grade debt	22.8%	1.7%
High Yield debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9	0.8%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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 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	\$179,969	\$(878)	\$(148,777)

Pension Plan Fiduciary Net Position:

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

9. 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 installment 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.

10. 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, 2023 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 2022 and 2023, no claims were paid for unemployment and none are expected to be paid for 2024.

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

Cities: Plankinton, Stickney, White Lake, Chamberlain, Kimball, Pukwana, Alpena, Lane, Wessington Springs, Draper, Murdo, Kennebec, Oacoma, Presho, Reliance, Wood, Colome, New Witten, Vivian, Winner, and White River.

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, 2023 landfill had an AUDITED net position of \$2,412,639 and long-term liabilities of \$1,347,863.

12. TAX ABATEMENTS

As of December 31, 2023 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 2022 and 2023.

In 2024 the City traded land to increase the size of its landfill.

CITY OF MURDO

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

			Governmental Activities	Business-Type Activities	Principal
	Beginning 12-31-21	2022 Additions (Deletions)	2023 Additions (Deletions)	Ending 12-31-23	Due in 2024
	-----	-----	-----	-----	-----
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	63,326	-2,588	-2,740	57,998	2,748
	-----	-----	-----	-----	-----
Totals	63,326	-2,588	-2,740	57,998	2,748
	=====	=====	=====	=====	=====

Payment Schedules:	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2000 West River Lyman Jones Rural Water Systems Loan:				
2024	4,488	2,748	1,740	55,250
2025	4,488	2,831	1,657	52,419
2026	4,488	2,915	1,573	49,504
2027	4,488	3,003	1,485	46,501
2028	4,488	3,093	1,395	43,408
2029-2033	22,440	16,914	5,526	26,494
2034-2038	22,440	19,607	2,833	6,887
2039-2040	7,172	6,887	285	0
	-----	-----	-----	-----
Totals	74,492	57,998	16,494	
	=====	=====	=====	

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2023

GENERAL FUND	Budgeted Amounts				Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	248,187			248,187	237,541	-10,646
General sales and use taxes	450,000			450,000	465,108	15,108
Licenses and permits:	750			750	6,300	5,550
Intergovernmental receipts:						
Federal shared receipts:				0	20,160	20,160
State shared receipts:						
Grants				0		0
Bank franchise tax	4,000			4,000	5,563	1,563
Commercial prorate				0	3,813	3,813
Liquor tax reversion	3,200			3,200	3,265	65
5% motor vehicle licenses	25,000			25,000	10,309	-14,691
Highway and bridge	26,000			26,000	28,718	2,718
Other				0	12,500	12,500
County shared receipts:	2,400			2,400	2,369	-31
Charges for goods and services:						
Fire fees				0	59,555	59,555
Sanitation and landfill	76,000			76,000	60,468	-15,532
Hay sales	8,000			8,000	11,248	3,248
Pool	4,000			4,000	3,731	-269
Recreation				0	690	690
Fines and forfeits:				0	900	900
Miscellaneous receipts:						
Interest and dividends	500			500	6,583	6,083
Rents and franchise fees	2,600			2,600	7,074	4,474
Special assessment	14,000			14,000	12,060	-1,940
Donations				0	66,761	66,761
Liquor operating agreements	24,100			24,100	25,553	1,453
Other	23,000			23,000	30,569	7,569
Total receipts	911,737	0	0	911,737	1,080,838	169,101
Disbursements:						
General government:						
Mayor and Council	27,022	1,200		28,222	27,081	1,141
Contingency	63,560			63,560		63,560
Amount transferred		-56,800		-56,800		-56,800
Elections				0		0
Financial administration	157,493	7,500		164,993	157,132	7,861
Public safety:						
Police	80,566	2,200		82,766	80,958	1,808
Fire	158,400			158,400	169,395	-10,995
Public works:						
Highways and streets	781,459	3,100	3,640	788,199	382,320	405,879
Sanitation	97,805	7,300		105,105	73,286	31,819
Airport	102,600		64,720	167,320	67,057	100,263
Health and welfare:						
Health	1,500			1,500	1,500	0
Culture and recreation:						
Recreation	41,449	35,500		76,949	75,420	1,529
Parks	10,730		66,511	77,241	73,794	3,447
Auditorium	10,000			10,000		10,000
Economic development:	28,740			28,740	27,581	1,159
Total disbursements	1,561,324	0	134,871	1,696,195	1,135,524	560,671
Excess of receipts over (under) disbursements	-649,587	0	-134,871	-784,458	-54,686	729,772
Other financing sources (uses):						
Transfer cash from water fund			120,000	120,000	120,000	0
Net change in fund balance	-649,587	0	-14,871	-664,458	65,314	729,772
Fund balance:						
January 1, 2023	800,189			800,189	800,189	0
December 31, 2023	150,602	0	-14,871	135,731	865,503	729,772

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	238,007			238,691	684
General sales and use taxes	450,000			465,479	15,479
Licenses and permits:	750			250	-500
Intergovernmental receipts:					
Federal shared receipts:			0	676,903	676,903
State shared receipts:					
Grants			0	2,240	2,240
Bank franchise tax	4,900		4,900	3,929	-971
Commercial prorate			0	3,683	3,683
Liquor tax reversion	3,200		3,200	3,328	128
5% motor vehicle licenses	25,000		25,000	18,235	-6,765
Highway and bridge	26,000		26,000	27,929	1,929
Other			0	17,396	17,396
County shared receipts:	2,400		2,400	2,369	-31
Charges for goods and services:					
Fire fees			0	127,423	127,423
Sanitation and landfill	69,800		69,800	54,436	-15,364
Hay sales	5,000		5,000	1,787	-3,213
Pool	4,000		4,000	3,186	-814
Recreation	500		500	800	300
Fines and forfeits:			0	1,164	1,164
Miscellaneous receipts:					
Interest and dividends	500		500	5,465	4,965
Rents and franchise fees	2,600		2,600	5,693	3,093
Special assessment	15,000		15,000	12,060	-2,940
Liquor operating agreements	25,000		25,000	24,112	-888
Other	18,000		18,000	20,204	2,204
Total receipts	890,657	0	0	1,716,762	826,105
Disbursements:					
General government:					
Mayor and Council	26,522	2,300		28,822	462
Contingency	61,750			61,750	61,750
Amount transferred		-61,750		-61,750	-61,750
Elections				0	0
Financial administration	147,065	2,300		149,365	11,708
Public safety:					
Police	74,480	500		74,980	264
Fire	258,400			258,400	31,332
Public works:					
Highways and streets	553,621			553,621	346,004
Sanitation	66,133			66,133	7,384
Airport	44,350		671,274	715,624	26,565
Health and welfare:					
Health	1,500			1,500	0
Culture and recreation:					
Recreation	44,874			44,874	5,062
Parks	9,689	56,400	13,820	79,909	261
Auditorium	2,000	250		2,250	9
Economic development:	20,000		11,000	31,000	4,536
Total disbursements	1,310,384	0	696,094	2,006,478	433,587
Excess of receipts over (under) disbursements	-419,727	0	-696,094	-1,115,821	1,259,692
Other financing sources (uses):					
None				0	0
Net change in fund balance	-419,727	0	-696,094	-1,115,821	1,259,692
Fund balance:					
January 1, 2022	656,318			656,318	0
December 31, 2022	236,591	0	-696,094	-459,503	1,259,692

CITY OF MURDO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2023

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	66,027	4,027
Total receipts	62,000	0	62,000	66,027	4,027
Disbursements:					
General government:					
Other			0		0
Public works:					
Highways and streets	4,800		4,800	4,800	0
Culture and recreation:					
Parks	18,072		18,072	15,968	2,104
Conservation and development:					
Economic development	39,128	12,000	51,128	51,035	93
Total disbursements	62,000	12,000	74,000	71,803	2,197
Excess of receipts over (under) disbursements	0	-12,000	-12,000	-5,776	6,224
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	-12,000	-12,000	-5,776	6,224
Fund balance:					
January 1, 2023	69,765		69,765	69,765	0
December 31, 2023	69,765	-12,000	57,765	63,989	6,224

FOR THE YEAR ENDING DECEMBER 31, 2022

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	68,161	6,161
Total receipts	62,000	0	62,000	68,161	6,161
Disbursements:					
General government:					
Other	0		0		0
Public works:					
Highways and streets	4,800		4,800	4,400	400
Culture and recreation:					
Parks	22,572		22,572	22,572	0
Conservation and development:					
Economic development	34,628		34,628	34,628	0
Total disbursements	62,000	0	62,000	61,600	400
Excess of receipts over (under) disbursements	0	0	0	6,561	6,561
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	6,561	6,561
Fund balance:					
January 1, 2022	63,204		63,204	63,204	0
December 31, 2022	63,204	0	63,204	69,765	6,561

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, 2023

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 2022 and 2023 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 TEN YEARS ENDING DECEMBER 31, 2023
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, 2023	0.0089960%	-878	217,192	(0.41%)	100.10%
June 30, 2022	0.0078310%	-740	173,400	(0.43%)	100.10%
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.

CITY OF MURDO
FOR THE TEN YEARS ENDING DECEMBER 31, 2023
SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the 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, 2023	14,924	14,924	0	233,067	6.40%
December 31, 2022	11,165	11,165	0	172,757	6.46%
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.

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, 2023

Changes of Prior Valuation:

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2023 legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes:

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

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% 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%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

CITY OF MURDO
COMPONENT UNIT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2023

	Murdo Housing & Redevelopment Commission 12-31-2023 -----
Cash assets:	
Cash	54,235
Investments	2,772

	57,007
	=====
Net position:	
Unrestricted	57,007

Total net position	57,007
	=====

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE TWO YEARS ENDING OF DECEMBER 31, 2023

	Murdo Housing & Redevelopment Commission 12-31-2023 -----	Murdo Housing & Redevelopment Commission 12-31-2022 -----
Receipts:		
Tenant rents, other receipts	114,010	143,371
	-----	-----
Total receipts	114,010	143,371
	-----	-----
Disbursements:		
Administrative	58,426	66,495
Tenant services		168
Utilities	38,600	45,857
Maintenance	73,450	74,266
Insurance, taxes, other	44,289	27,805
Capital purchases	19,645	102,277
	-----	-----
Total disbursements	234,410	316,868
	-----	-----
Excess of receipts over (under) disbursements	-120,400	-173,497
Other financing sources (uses):		
Interest received	4,621	2,658
HUD operating subsidy	48,499	36,959
	-----	-----
Total other financing sources (uses)	53,120	39,617
HUD capital contributions	63,660	119,966
	-----	-----
Change in net position	-3,620	-13,914
Net position:		
December 31, 2021		74,541

December 31, 2022	60,627	60,627
	-----	=====
December 31, 2023	57,007	
	=====	

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, a discretely presented component unit, and each major fund of the City of Murdo (City), Jones County, South Dakota, as of December 31, 2023 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic modified cash basis financial statements and have issued my report thereon dated May 1, 2025 which was unmodified.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City 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 Town'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 a deficiency 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 2023-01 and 2023-02, 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 May 1, 2025.

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*.

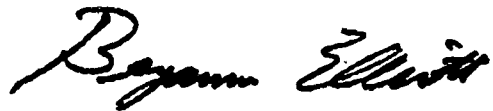
However, I did note minor matters involving compliance that I reported to the governing body and management of the City of Murdo in a separate Letter of Comments dated May 1, 2025.

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



May 1, 2025

CITY OF MURDO
SCHEDULES OF FINDINGS
DECEMBER 31, 2023

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:

2021-001 [Segregation of Duties] Repeated below as 2023-01

2021-002 [Preparation of Financial Statements] Repeated below as 2023-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Unmodified Opinion:

Governmental Activities
Business-Type Activities
Component Unit
All Funds

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 2023-001
2023-002

Part II - Findings Relating to the Financial Statements

Finding 2023-01: 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 2023-02: 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 responses.