

CITY OF MOBRIDGE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

CITY OF MOBRIDGE

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

City Council
City of Mobridge
Mobridge, South Dakota

Compliance

We have audited the compliance of the City of Mobridge, South Dakota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2002. The City of Mobridge's major federal program is identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Mobridge's management. Our responsibility is to express an opinion on the City of Mobridge's compliance based on our audit.

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

In our opinion, the City of Mobridge complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the City of Mobridge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mobridge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Mobridge's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of current audit findings and questioned costs as items 2002-01 and 2002-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-01 and 2002-02 to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of the City of Mobridge and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Benschbach & Anderson, LLP

June 12, 2003

KOHLMAN, BIERSCHBACH & ANDERSON, LLP

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

City Council
City of Mobridge
Mobridge, South Dakota

We have audited the financial statements of the City of Mobridge, South Dakota, as of December 31, 2002, and for the year then ended and have issued our report thereon dated June 12, 2003, which was qualified because of inadequate fixed asset and inventory records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Mobridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to the management of the City of Mobridge in a separate communication dated June 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mobridge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting

that, in our judgment, could adversely affect the City of Mobridge's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current audit findings and questioned costs as items 2002-01 and 2002-02. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Mobridge in a separate communication dated June 12, 2003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-01 and 2002-02 to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of the City of Mobridge and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

June 12, 2003

CITY OF MOBRIDGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

2001-01 - CFDA Numbers 14.228 and 66.458
Questioned Costs \$-0-

Finding

Fixed asset records, except for land and equipment, were not properly established and maintained to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation. This resulted in diminished control over fixed assets and can result in misleading information being presented to users of the financial statements.

Analysis

The general fixed assets, enterprise fixed assets and depreciation records maintained did not contain sufficient detail for buildings and improvements other than buildings. This results in diminished control over fixed assets and can result in misleading information being presented to users of the financial statements.

Recommendation

We recommend general fixed assets, enterprise fixed assets and depreciation records for buildings and improvements other than buildings be established and maintained.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. The City is continuing its work on correcting this deficiency.

The enterprise fixed assets and depreciation records have been corrected but the general fixed assets records have not been corrected and this comment is restated as current federal audit compliance finding 2002-01.

2001-02 - CFDA Numbers 14.228 and 66.458
Questioned Costs \$-0-

Finding

A reportable condition and material weakness was reported for a lack of segregation of duties for revenues.

Analysis

The City has a limited number of employees who prepare all records for revenues.

CITY OF MOBRIDGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002
(Continued)

Recommendation

We recommend the City Council take a more active role in their oversight of revenues.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Mobridge which precludes staffing at a level sufficient to provide an ideal environment for internal controls. City of Mobridge has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues. City of Mobridge is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

This comment has not been corrected and is restated as current federal compliance audit finding 2002-02.

PRIOR OTHER AUDIT FINDINGS:

2001-03

Finding

Sufficient records do not exist to verify the amounts reported as inventories.

Analysis

Inventory records maintained do not provide sufficient detail to verify amounts reported as inventories.

Recommendation

We recommend the City establish a perpetual inventory record system.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. The City will attempt to install a perpetual inventory system to correct this deficiency.

This comment has not been corrected and is restated as current other audit finding 2002-03.

CITY OF MOBRIDGE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- a. An opinion qualified for inadequate fixed asset and inventory records was issued on the financial statements.
- b. A reportable condition and material weakness was disclosed by our audit of the financial statements and for internal control over major federal programs for a lack of segregation of duties for revenues as discussed in finding number 2002-02 and for lack of fixed asset records as discussed in finding 2002-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.
- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a) except for the reportable condition and material weakness resulting from the lack of segregation of duties for revenues as discussed in finding 2002-02 and the finding for lack of fixed asset records as discussed in finding 2002-01.
- f. The federal awards tested as major programs were:
 1. Environmental Protection Agency -
SD Department of Environment and
Natural Resources, State Revolving Fund 66.458
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. City of Mobridge did not qualify as a low-risk entity.

CITY OF MOBRIDGE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002
(Continued)

CURRENT FEDERAL COMPLIANCE AUDIT FINDINGS:

2002-01 - CFDA Number 66.458
Questioned Costs \$-0-

Finding

Fixed asset records, except for land and equipment, were not properly established and maintained to support the amounts reported for general fixed assets. This resulted in diminished control over fixed assets and can result in misleading information being presented to users of the financial statements.

Analysis

The general fixed assets records maintained did not contain sufficient detail for buildings and improvements other than buildings. This results in diminished control over fixed assets and can result in misleading information being presented to users of the financial statements.

Recommendation

We recommend general fixed assets records for buildings and improvements other than buildings be established and maintained.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. The City is continuing its work on correcting this deficiency.

2002-02 - CFDA Number 66.458
Questioned Costs \$-0-

Finding

A reportable condition and material weakness was reported for a lack of segregation of duties for revenues.

Analysis

The City has a limited number of employees who prepare all records for revenues.

CITY OF MOBRIDGE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002
(Continued)

Recommendation

We recommend the City Council take a more active role in their oversight of revenues.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Mobridge which precludes staffing at a level sufficient to provide an ideal environment for internal controls. City of Mobridge has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues. City of Mobridge is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

CURRENT OTHER AUDIT FINDINGS:

The lack of fixed asset records and the lack of segregation of duties for revenues as discussed in federal compliance audit findings 2002-01 and 2002-02 would be restated here along with the following finding 2002-03.

2002-03

Finding

Sufficient records do not exist to verify the amounts reported as inventories.

Analysis

Inventory records maintained do not provide sufficient detail to verify amounts reported as inventories.

Recommendation

We recommend the City establish a perpetual inventory record system.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. The City will attempt to install a perpetual inventory system to correct this deficiency.

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Mobridge
Mobridge, South Dakota

We have audited the accompanying general purpose financial statements of the City of Mobridge, South Dakota, as of December 31, 2002, and for the year then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City of Mobridge's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as indicated in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Evidence supporting the amounts reported for general fixed assets and inventories was inadequate and the records maintained did not permit the application of adequate alternative procedures regarding the reported amounts.

In our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to test general fixed assets and inventories as discussed in the preceding paragraph, the general purpose financial statements, referred to above present fairly, in all material respects, the financial position of the City of Mobridge, South Dakota, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2003, on our consideration of the City of Mobridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of the audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of the City of Mobridge, South Dakota, taken as a whole. The schedules listed in the Table of Contents are presented for purposes of additional analysis including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

Kohlman, Beiselsbach & Anderson, LLP

June 12, 2003

CITY OF MOBRIDGE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2002

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$259,615	\$546,363	\$--	\$274
Restricted cash in banks	--	--	--	--
Taxes receivable - current	420,327	--	--	--
Taxes receivable - delinquent	24,563	--	--	--
Accounts receivable	--	--	--	--
Special assessments receivable - current	71,866	--	--	--
Special assessments receivable - delinquent	7,723	--	--	--
Due from state government	32,037	24,288	--	--
Inventory of supplies	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Current Assets	<u>816,131</u>	<u>570,651</u>	<u>--</u>	<u>274</u>
FIXED ASSETS:				
Land	--	--	--	--
Buildings and improvements	--	--	--	--
Furniture and fixtures	--	--	--	--
Machinery and equipment	--	--	--	--
Accumulated depreciation (credit)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Fixed Assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
OTHER ASSETS:				
Advance to General Fund	--	30,774	--	--
Amount to be provided for other long-term debt	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Assets	<u>--</u>	<u>30,774</u>	<u>--</u>	<u>--</u>
TOTAL ASSETS	<u>\$816,131</u> =====	<u>\$601,425</u> =====	<u>\$--</u> ==	<u>\$274</u> ===

(Continued on next page)

<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u> Expendable Trust	<u>ACCOUNT GROUPS</u>	
		<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
\$ 960,735	\$ --	\$ --	\$ --
644,511	147	--	--
--	--	--	--
--	--	--	--
61,880	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
<u>55,075</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>1,722,201</u>	<u>147</u>	<u>--</u>	<u>--</u>
104,993	--	167,758	--
8,435,867	--	1,768,402	--
--	--	554,612	--
279,119	--	1,029,762	--
<u>(5,066,055)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>3,753,924</u>	<u>--</u>	<u>3,520,534</u>	<u>--</u>
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,349,673</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,349,673</u>
\$ 5,476,125	\$147	\$3,520,534	\$1,349,673
=====	===	=====	=====

CITY OF MOBRIDGE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2002
 (Continued)

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 24,620	\$ --	\$--	\$ --
Accrued wages payable	3,028	--	--	--
Accrued taxes payable	26	--	--	--
Deferred revenue	524,480	--	--	--
Current portion of SRF loans payable	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Current Liabilities	<u>552,154</u>	<u> --</u>	<u> --</u>	<u> --</u>
LONG-TERM LIABILITIES:				
Accrued leave payable	--	--	--	--
SRF loans payable	--	--	--	--
Advance from special revenue fund	30,774	--	--	--
Other long-term debt	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Long-Term Liabilities	<u>30,774</u>	<u> --</u>	<u> --</u>	<u> --</u>
FUND EQUITY:				
Contributed capital	--	--	--	--
Investment in general fixed assets	--	--	--	--
Retained earnings:				
Reserved for debt service and equipment replacement	--	--	--	--
Unreserved retained earnings	--	--	--	--
Fund balances:				
Reserved for advance to General Fund	--	30,774	--	--
Reserved for fire department	--	--	--	--
Unreserved fund balances:				
Designated for next year's appropriations	50,879	--	--	--
Undesignated	<u>182,324</u>	<u>570,651</u>	<u> --</u>	<u>274</u>
Total Fund Equity	<u>233,203</u>	<u>601,425</u>	<u> --</u>	<u>274</u>
TOTAL LIABILITIES AND EQUITY	<u>\$816,131</u> =====	<u>\$601,425</u> =====	<u>\$--</u> ==	<u>\$274</u> ===

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES Expendable Trust	ACCOUNT GROUPS	
		General Fixed Assets	General Long-Term Debt
Enterprise			
\$ 9,061	\$ --	\$ --	\$ --
1,157	--	--	--
--	--	--	--
--	--	--	--
<u>159,546</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>169,764</u>	<u>--</u>	<u>--</u>	<u>--</u>
10,967	--	--	29,238
1,792,965	--	--	1,295,877
--	--	--	--
<u>79,198</u>	<u>--</u>	<u>--</u>	<u>24,558</u>
<u>1,883,130</u>	<u>--</u>	<u>--</u>	<u>1,349,673</u>
1,203,594	--	--	--
--	--	3,520,534	--
646,148	--	--	--
1,573,489	--	--	--
--	--	--	--
--	147	--	--
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>3,423,231</u>	<u>147</u>	<u>3,520,534</u>	<u>--</u>
\$ 5,476,125	\$147	\$3,520,534	\$1,349,673
=====	===	=====	=====

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

CITY OF MOBRIDGE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPES Expendable Trust
REVENUE:					
Taxes	\$ 902,854	\$ 405,872	\$ --	\$ --	\$ --
Licenses and permits	18,818	--	--	--	--
Intergovernmental revenue	99,539	--	--	--	--
Charges for goods and services	58,477	--	--	--	--
Fines and forfeits	18,785	--	--	--	--
Miscellaneous revenue	88,694	11,977	--	40,297	5,276
TOTAL REVENUE	1,187,167	417,849	--	40,297	5,276
EXPENDITURES:					
General government	276,130	20,586	--	--	--
Public safety	502,988	35,299	--	--	34,000
Public works	231,253	200,748	--	97,632	--
Health and welfare	3,000	--	--	--	--
Culture and recreation	292,075	209,571	--	31,652	--
Conservation and development	9,177	--	--	--	--
Debt service	--	--	136,361	--	--
TOTAL EXPENDITURES	1,314,623	466,204	136,361	129,284	34,000
OTHER FINANCING SOURCES (USES):					
Operating transfers in	--	--	136,361	--	--
Operating transfers out	--	(159,133)	--	--	--
Proceeds of general long-term liabilities	--	--	--	111,656	--
Sale of general fixed assets	15,500	--	--	--	--
Compensation for loss or damage to general fixed assets	6,446	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	21,946	(159,133)	136,361	111,656	--

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPES Expendable Trust
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(105,510)	(207,488)	--	22,669	(28,724)
FUND BALANCE, JANUARY 1, 2002	339,121	808,913	--	(24,048)	30,116
RESIDUAL EQUITY TRANSFER IN	1,245	--	--	1,653	--
RESIDUAL EQUITY TRANSFER OUT	<u>(1,653)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,245)</u>
FUND BALANCE, DECEMBER 31, 2002	\$ 233,203 =====	\$ 601,425 =====	\$ -- =====	\$ 274 =====	\$ 147 =====

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

CITY OF MOBRIDGE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL -
 GENERAL, SPECIAL REVENUE, AND CAPITAL PROJECTS FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Taxes:			
General property taxes	\$ 409,323	\$ 401,604	\$ (7,719)
Airflight property tax	--	517	517
General sales and use taxes	480,000	497,227	17,227
Gross receipts business taxes	2,000	1,603	(397)
Amusement taxes	--	876	876
Penalties and interest on delinquent taxes	--	1,027	1,027
Licenses and Permits	18,100	18,818	718
Intergovernmental Revenue:			
State shared revenue:			
Bank franchise tax	15,000	7,488	(7,512)
Motor vehicle commercial prorate	--	3,610	3,610
Liquor tax reversion	20,000	17,587	(2,413)
Motor vehicle licenses (5%)	12,000	11,697	(303)
Local government highway and bridge fund	50,000	50,544	544
County shared revenue:			
County road tax (25%)	7,500	4,161	(3,339)
County HBR tax (25%)	--	804	804
County wheel tax	2,500	3,648	1,148
Other	5,000	--	(5,000)
Charges for Goods and Services:			
Public safety	40,120	42,120	2,000
Highways and streets	1,000	431	(569)
Culture and recreation	13,000	13,027	27
Other	12,500	2,899	(9,601)
Fines and Forfeits:			
Court fines and costs	4,000	7,711	3,711
Library	--	11,074	11,074
Miscellaneous Revenue:			
Investment earnings	15,000	1,913	(13,087)
Rentals	12,000	11,650	(350)
Special assessments	65,000	62,728	(2,272)
Contributions and donations from private sources	--	3,100	3,100
Other	20,000	9,303	(10,697)
TOTAL REVENUE	<u>1,204,043</u>	<u>1,187,167</u>	<u>(16,876)</u>

(Continued on next page)

SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	405,872	405,872	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	11,977	11,977	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	40,297	40,297
--	417,849	417,849	--	40,297	40,297

CITY OF MOBRIDGE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL -
 GENERAL, SPECIAL REVENUE, AND CAPITAL PROJECTS FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Continued)

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
General Government:			
Legislative	13,897	16,261	(2,364)
Contingency	20,000		
(Amount transferred)	--		20,000
Executive	4,117	3,520	597
Financial administration	190,977	194,485	(3,508)
Other	63,000	61,864	1,136
Public Safety:			
Police	470,688	468,054	2,634
Fire	36,151	34,934	1,217
Public Works:			
Highways and streets	198,978	202,776	(3,798)
Sanitation	--	--	--
Water	--	--	--
Airport	34,600	28,477	6,123
Health and Welfare:			
Health	8,000	--	8,000
Hospitals, nursing homes and rest homes	3,000	3,000	--
Culture and Recreation:			
Recreation	56,024	54,141	1,883
Parks	55,257	57,767	(2,510)
Libraries	74,190	88,044	(13,854)
Auditorium	91,490	87,123	4,367
Museums	5,000	5,000	--
Conservation and Development:			
Economic development and assistance (industrial development)	9,040	9,177	(137)
TOTAL EXPENDITURES	<u>1,334,409</u>	<u>1,314,623</u>	<u>19,786</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	--	--	--
Proceeds of general long-term liabilities	--	--	--
Sale of general fixed assets	--	15,500	15,500
Compensation for loss or damage to general fixed assets	3,000	6,446	3,446
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,000</u>	<u>21,946</u>	<u>18,946</u>

(Continued on next page)

SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
20,586	20,586	--	--	--	--
49,000	35,299	13,701	--	--	--
--	--	--	--	--	--
175,210	175,153	57	175,000	97,632	77,368
11,500	--	11,500	--	--	--
11,500	--	11,500	--	--	--
26,000	25,595	405	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
37,000	26,730	10,270	31,653	31,652	1
21,261	21,261	--	--	--	--
200,000	161,580	38,420	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>552,057</u>	<u>466,204</u>	<u>85,853</u>	<u>206,653</u>	<u>129,284</u>	<u>77,369</u>
--	(159,133)	(159,133)	--	--	--
--	--	--	--	111,656	111,656
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>(159,133)</u>	<u>(159,133)</u>	<u>--</u>	<u>111,656</u>	<u>111,656</u>

CITY OF MOBRIDGE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL -
 GENERAL, SPECIAL REVENUE, AND CAPITAL PROJECTS FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Continued)

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(127,366)	(105,510)	21,856
FUND BALANCE, JANUARY 1, 2002	339,121	339,121	--
RESIDUAL EQUITY TRANSFER IN	--	1,245	1,245
RESIDUAL EQUITY TRANSFER OUT	--	(1,653)	(1,653)
FUND BALANCE, DECEMBER 31, 2002	\$ 211,755 =====	\$ 233,203 =====	\$ 21,448 =====

SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
(552,057)	(207,488)	344,569	(206,653)	22,669	229,322
808,913	808,913	--	(24,048)	(24,048)	--
--	--	--	--	1,653	1,653
--	--	--	--	--	--
<u>\$ 256,856</u>	<u>\$ 601,425</u>	<u>\$ 344,569</u>	<u>\$ (230,701)</u>	<u>\$ 274</u>	<u>\$230,975</u>
=====	=====	=====	=====	=====	=====

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

CITY OF MOBRIDGE
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise Funds</u>
OPERATING REVENUE:	
Charges for goods and services	\$1,023,614
Miscellaneous	<u>11,076</u>
TOTAL OPERATING REVENUE	<u>1,034,690</u>
OPERATING EXPENSES:	
Personal services	247,439
Other current expense	384,383
Depreciation	<u>257,811</u>
TOTAL OPERATING EXPENSES	<u>889,633</u>
OPERATING INCOME	<u>145,057</u>
NONOPERATING REVENUE (EXPENSE):	
Investment earnings	14,304
Interest expense and fiscal charges	<u>(93,673)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(79,369)</u>
INCOME BEFORE OPERATING TRANSFERS	65,688
OPERATING TRANSFERS IN	<u>22,772</u>
NET INCOME	88,460
RETAINED EARNINGS, JANUARY 1, 2002	<u>2,131,177</u>
RETAINED EARNINGS, DECEMBER 31, 2002	\$2,219,637 =====

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

CITY OF MOBRIDGE
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$1,028,585
Other operating cash receipts	11,076
Cash payments to employees for services	(247,530)
Cash payments to other suppliers of goods or services	<u>(390,358)</u>
Net cash provided by operating activities	<u>401,773</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers in	<u>22,772</u>
Net cash provided by noncapital financing activities	<u>22,772</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt repaid	(170,378)
Interest expense	<u>(93,673)</u>
Net cash used by capital and related financing activities	<u>(264,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>14,304</u>
Net cash provided by investing activities	<u>14,304</u>
NET INCREASE IN CASH	174,798
CASH, JANUARY 1, 2002	<u>1,430,448</u>
CASH, DECEMBER 31, 2002	\$1,605,246 =====

SCHEDULE RECONCILING OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Enterprise Funds</u>
OPERATING INCOME	\$ 145,057
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	257,811
Changes in:	
Accounts receivable	168,269
Inventory of supplies	(905)
Accounts payable	(5,070)
Accrued wages payable	568
Revenue collected in advance	(163,298)
Accrued leave payable	<u>(659)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 401,773 =====

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

There were no noncash investing or financing activities during the year ended December 31, 2002.

DISCLOSURE OF ACCOUNTING POLICY

The City pools its cash resources for depositing and investing purposes. The Proprietary Funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

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

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City's governing board.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

The City has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. This Commission is a related party because the City appoints the board for the Commission. However, there were no material financial transactions between the two during the year.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and six generic fund types as follows:

Governmental Funds:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Second Penny Sales Tax Fund is the only Special Revenue Fund maintained by the City.

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The River Front Project Fund and the Storm Sewer Project Fund are the only Capital Projects Funds maintained by the City.

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - (Continued)

Proprietary Funds:

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

The Enterprise Funds do not apply all FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds.

c. Fixed Assets and Long-Term Liabilities:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

An undetermined portion of the general fixed assets are valued at estimated cost. The total December 31, 2002 proprietary fund fixed assets includes approximately zero percent for which the costs were

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - (Continued)

determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which are accrued at December 31, 2002, are amounts due from state for sales tax revenues. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled utility accounts receivable are included in the financial statements.

e. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - (Continued)

2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total city budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board.

The City did not encumber any amounts at December 31, 2002.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

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

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2. 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 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - (Continued)

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

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

The actual bank balances at December 31, 2002, were as follows:

	<u>Bank Balances</u>
Insured (FDIC/NCUA)	\$ 262,715
Uninsured, collateral jointly held by state's/city's agent in the name of the state and the pledging financial institution	2,207,894
Uninsured, uncollateralized	<u> --</u>
TOTAL DEPOSITS	\$2,470,609 =====

The carrying amount of deposits on the December 31, 2002 balance sheet was \$2,411,645.

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

The City had no investments at December 31, 2002.

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO).

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - (Continued)

h. Interfund Receivables:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

NOTE 2 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The County bills and collects the City's taxes and remits them to the City.

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:

General Fund	\$27
Bond Redemption Funds	Amounts Required by Bond Agreements
Judgment Fund (Upon Judgment Being Made)	\$10

State statute allows the tax rates to be raised by special election of the voters.

CITY OF MOBRIDGE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2002, is as follows:

	<u>Balance</u> 1/1/02	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/02
Land	\$ 167,758	\$ --	\$--	\$ 167,758
Buildings and Improvements	1,730,000	38,402	--	1,768,402
Furniture and Fixtures	533,827	20,785	--	554,612
Machinery and Equipment	<u>976,545</u>	<u>53,217</u>	<u>--</u>	<u>1,029,762</u>
TOTAL	\$3,408,130 =====	\$112,404 =====	\$-- ==	\$3,520,534 =====

NOTE 4 - LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>State</u> <u>Revolving</u> <u>Fund</u>	<u>Compensated</u> <u>Absences</u>	<u>Financing</u> <u>(Capital</u> <u>Acquisition)</u> <u>Leases</u>	<u>Total</u>
Debt payable, January 1, 2002	\$3,357,054	\$41,104	\$144,084	\$3,542,242
New issues:				
Storm Sewer Project	98,690	--	--	98,690
Change in compensated absences	--	(899)	--	(899)
Retired	<u>(207,356)</u>	<u>--</u>	<u>(40,328)</u>	<u>(247,684)</u>
DEBT PAYABLE, DECEMBER 31, 2002	\$3,248,388 =====	\$40,205 =====	\$103,756 =====	\$3,392,349 =====

Debt payable at December 31, 2002, is comprised of the following:

State Revolving Fund (SRF):

Two loans repayable by the Sewer Fund secured by a pledge of Sewer Fund revenues:

CITY OF MOBRIDGE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 4 - (Continued)

- | | |
|---|------------|
| 1. A 3.0% loan payable in monthly installments of \$8,319, including principal and interest, with a final maturity of October, 2011 | \$ 773,798 |
| 2. A 4.0% loan payable in monthly installments of \$1,171, including principal and interest, with a final maturity of June, 2007 | \$ 57,789 |

Two loans repayable by the Water Fund secured by a pledge of Water Fund revenues:

- | | |
|--|------------|
| 1. A 5.25% loan payable in quarterly installments of \$23,339, including principal and interest, with a final maturity of July, 2014 | \$ 814,777 |
| 2. A 5.25% loan payable in quarterly installments of \$8,510, including principal and interest, with a final maturity of January, 2015 | \$ 306,147 |

A 4.5% loan payable in quarterly installments of \$42,098, including principal and interest, with a final maturity of April, 2012, payable from Special Revenue Second Penny Sales Tax Fund	\$1,295,877
---	-------------

Compensated Absences: Accrued leave payable	\$ 40,205
--	-----------

Financing (Capital Acquisition) Leases:

- | | |
|---|-----------|
| 1. A 5.94% lease payable in yearly installments of \$26,017, including principal and interest, with a final maturity of May, 2003, payable by the Water and Sewer Funds | \$ 24,558 |
| 2. A 5.84% lease payable in yearly installments of \$22,772, including principal and interest, with a final maturity of May, 2006, payable by the Water and Sewer Funds | \$ 79,198 |

The purchase price at the commencement of the Financing (Capital Acquisition) Leases was:

Principal	\$247,168
Interest	32,520
 TOTAL	 \$279,688 =====

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 4 - (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2002, except for compensated absences but including interest payments of \$823,668, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2002

Year Ending December 31,	SRF#1 C461016-01	SRF#2 C461016-02	SRF#1 C462016-01	SRF#2 C462016-02
2003	\$ 99,828	\$14,054	\$ 93,356	\$ 34,042
2004	99,828	14,054	93,356	34,042
2005	99,828	14,054	93,356	34,042
2006	99,828	14,054	93,356	34,042
2007	99,828	7,027	93,356	34,042
Thereafter	<u>382,670</u>	<u>--</u>	<u>630,150</u>	<u>246,800</u>
TOTAL	\$881,810 =====	\$63,243 =====	\$1,096,930 =====	\$417,010 =====

Year Ending December 31,	SRF#3 C461016-03	Capital Acquisition Leases	Totals
2003	\$ 168,391	\$ 48,789	\$ 458,460
2004	168,391	22,772	432,443
2005	168,391	22,772	432,443
2006	168,391	22,773	432,444
2007	168,391	--	402,644
Thereafter	<u>757,759</u>	<u>--</u>	<u>2,017,379</u>
TOTAL	\$1,599,714 =====	\$117,106 =====	\$4,175,813 =====

NOTE 5 - CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, or any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$5,355,000.

CITY OF MOBRIDGE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 6 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Cemetery, Water, Waste Collection, Sewer and Water Extension, and Sewer Funds are maintained by the City which provide cemetery, water, waste collection, and sewer services financed partially by user charges. Segment information for Enterprise Funds is as follows:

	<u>Year Ended December 31, 2002</u>		
	<u>Cemetery Fund</u>	<u>Water Fund</u>	<u>Waste Collection Fund</u>
Operating Revenue	\$ 18,075	\$ 510,135	\$121,374
Operating Expenses:			
Depreciation	342	88,034	--
Other	<u>36,136</u>	<u>284,832</u>	<u>138,951</u>
Operating Income (Loss)	(18,403)	137,269	(17,577)
Operating Transfers:			
In	--	11,386	--
Net Nonoperating Revenue (Expense)	<u>1,122</u>	<u>(56,979)</u>	<u>--</u>
Net Income (Loss)	\$(17,281) =====	\$ 91,676 =====	\$(17,577) =====
Net Working Capital	\$ 65,397	\$ 547,499	\$ 8,652
Long-Term Debt:			
Payable from Operating Revenue	\$ --	\$1,097,729	\$ --
Total Assets	\$ 68,969	\$2,805,555	\$ 8,652
Total Liabilities	\$ 1,895	\$1,173,103	\$ --
Fund Equity	\$ 67,074	\$1,632,452	\$ 8,652

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 6 - (Continued)

	<u>Year Ended December 31, 2002</u>	
	<u>Sewer and Water Extension Fund</u>	<u>Sewer Fund</u>
Operating Revenue	\$ 9,135	\$ 375,971
Operating Expenses:		
Depreciation	--	169,435
Other	<u>6,064</u>	<u>165,839</u>
Operating Income	3,071	40,697
Operating Transfers:		
In	--	11,386
Net Nonoperating Revenue (Expense)	<u>--</u>	<u>(23,512)</u>
Net Income	\$ 3,071 =====	\$ 28,571 =====
Net Working Capital	\$77,994	\$ 852,895
Long-Term Debt:		
Payable from Operating Revenue	\$ --	\$ 785,401
Total Assets	\$77,994	\$2,514,955
Total Liabilities	\$ --	\$ 877,896
Fund Equity	\$77,994	\$1,637,059

NOTE 7 - RETIREMENT PLAN

All employees, except for part-time and seasonal, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 733-3731.

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 7 - (Continued)

General employees are required by state statute to contribute 6 percent (5 percent through June 30) of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent. 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 fiscal years ended December 31, 2002, 2001 and 2000 were \$48,282, \$45,252, and \$44,704, respectively, equal to the required contributions each year.

NOTE 8 - LITIGATION

At December 31, 2002, the City was involved in a lawsuit. No determination can be made at this time regarding the potential outcome of the lawsuit. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with a commercial insurance carrier. Therefore, no material effects are anticipated to the City as a result of the potential outcome of this lawsuit.

NOTE 9 - RISK MANAGEMENT

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 period ended December 31, 2002, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance:

The City purchases liability insurance for risks related to torts, theft or damage to property, and errors and omissions of public officials from a commercial insurance carrier.

Workmen's Compensation

The City purchases liability insurance for workmen's compensation from a commercial carrier.

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.

CITY OF MOBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 10 - ACCOUNTING PRINCIPLES CHANGE .

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 establishes new requirements for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the city, GASB No. 34 implementation is first required for the calendar year ended December 31, 2004. The effect of the implementation of GASB No. 34 on the financial statements of the city has not yet been determined.

SUPPLEMENTARY DATA

CITY OF MOBRIDGE
MUNICIPAL OFFICIALS
DECEMBER 31, 2002

Mayor:

Kyle Jensen

Governing Board:

Vern Hintz, President
Tom Unterseher, Vice-President
Taylor Oster
Kent Mauck
Tony Yellow Boy
Randy Runnels

Finance Officer:

Ron Buechler

Attorney:

Laurie Bauer

CITY OF MOBRIDGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2002
DEPARTMENT OF INTERIOR:		
Indirect Federal Funding:		
SD Game, Fish & Parks, Rivers, Trails and Conservation Assistance	15.921	\$ <u>8,059</u>
GENERAL SERVICES ADMINISTRATION:		
Indirect Federal Funding:		
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 2)	39.003	<u>344</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Indirect Federal Funding:		
SD Department of Environment and Natural Resources, State Revolving Fund (Federal Portion) (Note 3)	66.458	<u>1,350,000</u>
GRAND TOTAL		\$1,358,403 =====

Note 1: This schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

Note 3: This represents a major federal financial assistance program.

CITY OF MOBRIDGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Continued)

Note 4: The City had the following loan balances outstanding at December 31, 2002. The loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>	<u>Included as Federal Expenditures on This Schedule</u>
State Revolving Fund - 3%:			
Federal Portion	66.458	\$ 644,832	\$ --
State Portion	66.458	128,966	--
State Revolving Fund - 4%:			
All State	66.458	\$ 57,789	\$ --
State Revolving Fund - 5.25%:			
All Federal	66.458	\$ 814,777	\$ --
State Revolving Fund - 5.25%:			
All Federal	66.458	\$ 306,147	\$ --
State Revolving Fund - 4.5%:			
All Federal	66.458	\$1,295,877	\$98,690