

CITY OF MOBRIDGE  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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CITY OF MOBRIDGE  
CITY OFFICIALS  
DECEMBER 31, 2004

Mayor:

Kyle Jensen

Governing Board:

Taylor Oster

John Villbrandt

Tony Yellow Boy

Jerry Weischedel

Randy Runnels

Tom Unterseher

Finance Officer/City Administrator:

Nels Christensen

Attorney:

Laurie Bauer

CITY OF MOBRIDGE  
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WITH OFFICES IN  
LEMMON, SOUTH DAKOTA  
MILLER, SOUTH DAKOTA

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mobridge, South Dakota, as of and for the year ended December 31, 2004, which collectively comprise the City of Mobridge's basic financial statements and have issued our report thereon dated May 5, 2005. The report on the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information was adverse 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.

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 opinions on the financial statements and not to provide an opinion 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 2004-01 through 2004-04. We also noted other matters involving the internal control over financial reporting that we may have reported to the City of Mobridge in a separate letter dated May 5, 2005.

A material weakness is a reportable 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 caused by error or fraud 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 2004-01 through 2004-04 to be material weaknesses.

#### 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 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of current audit findings and questioned costs as item 2004-04. We noted certain immaterial instances of noncompliance that we have reported to the management of the City of Mobridge in a separate letter dated May 5, 2005.

This report is intended solely for the information and use of 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 South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman, Buischbach & Anderson, LLP*

May 5, 2005

CITY OF MOBRIDGE  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2004

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

No matters were reported.

PRIOR OTHER AUDIT FINDINGS:

2003-01

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. This comment has not been corrected and is restated as current other audit finding 2004-01.

2003-02

A reportable condition and material weakness was reported for a lack of segregation of duties for revenues. This condition is restated as current other audit finding 2004-02.

2003-03

Sufficient records do not exist to verify the amounts reported as inventories. This comment has not been corrected and is restated as current other audit finding 2004-03.

2003-04

The municipal board did not adopt a budget for the Capital Projects Fund. This comment has not been corrected and is restated as current other audit finding 2004-04.

CITY OF MOBRIDGE  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2004

CURRENT FEDERAL COMPLIANCE AUDIT FINDINGS:

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

2004-01

Finding

Fixed asset records 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, enterprise fixed assets, and depreciation records maintained did not contain sufficient detail. 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 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.

2004-02

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, 2004  
(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. The City of Mobridge has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues. The City of Mobridge is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

2004-03

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.

2004-04

Finding

The city council did not adopt a budget for the Special Revenue and Capital Projects Funds.

CITY OF MOBRIDGE  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2004  
(Continued)

Analysis

The city council did not adopt a budget for the Special Revenue and Capital Projects Funds as required by South Dakota Codified Law 9-21-2.

Recommendation

We recommend that a formal budget be adopted for all funds, other than Trust and Agency.

Corrective Action Plan

Kyle Jensen is the contact person responsible for the corrective action plan for this comment. The City of Mobridge will adopt a budget for the Special Revenue and Capital Projects Funds in the future.

# KOHLMAN, BIERSCHBACH & ANDERSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN  
LEMMON, SOUTH DAKOTA  
MILLER, SOUTH DAKOTA

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Mobridge  
Mobridge, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mobridge, South Dakota, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mobridge's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental and business-type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental and business-type activities. The amount by which this departure would affect the assets and expenses of the governmental and business-type activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental and business-type activities of the City of Mobridge, South Dakota, as of December 31, 2004, and the changes in financial position and cash flows, where applicable, thereof for the year then ended.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of December 31, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2005, on our consideration of the City of Mobridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 9 through 21 and 58 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mobridge's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Kohlman, Benschbach + Anderson, LLP*

May 5, 2005

CITY OF  
MOBRIDGE, SOUTH DAKOTA

Financial Report for Fiscal Year 2004

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## **(A) MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Mobridge, SD annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2004.

Please read it in conjunction with the City's financial statements, which follow this section.

### **1. FINANCIAL HIGHLIGHTS**

#### **1.1 General Comments**

- The 2004 financial report is the first Governmental Accounting Standards Board Statement No. 34 (GASB 34) report for the City of Mobridge.
- The prior Finance Officer left City employment in late 2003
- The Assistant Finance Officer was hired in January 2004.
- The City Administrator/Finance Officer was hired in February 2004.
- Other Major changes for 2004 included the move to GASB 34 reporting, addition of numerous line items and adjustments to line items to aid in the tracking of revenues and expenditures for all departments and projects. Included in the changes, were such items as insurance costs which were divided proportionately to the appropriate department to reflect true department costs, and creating new line items for projects and funds that had not previously been tracked separately.

#### **1.2 Financial Comments**

- The City's net assets from governmental and business-type activities for 2004 were \$5,156,445. Net Assets increased by \$190,657. Total Liabilities were \$2,894,386. There are no comparable figures for 2003 due to the change to GASB 34.
- The City's 2004 revenues generated from charges for services, taxes and other revenues of the governmental programs were \$2,142,988.
- Governmental and business-type program expenditures were \$2,988,250.
- Revenues exceeded expenses by \$190,657.
- In the City's business-type activities, revenues were \$1,017,423.
- The total costs of the City's programs were \$827,348. This resulted in a change in net assets of \$161,557.
- The general fund reported a \$118,131 current year loss.
- Two Water Revenue bonds were refinanced into one bond saving the City approximately \$29,000 over the life of the loan.

### **2. OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The **Governmental Funds** includes the General Revenue Funds such as property taxes, sales taxes, State shared Revenues, Special Revenue Funds (3B Fund, 2<sup>nd</sup> Penny Fund), Capital Projects, Grants and unrestricted contributions, Debt Service) statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.

The **Proprietary Funds** (enterprise funds) statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has five proprietary funds – the Water Fund, Sewer Fund, Water & Sewer Main Fund, Cemetery Fund, and the Solid Waste Fund. **NOTE:** The Solid Waste fund was showing a loss until July of 2003 when the city issued a new garbage contract, changed the processes, and the contract costs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
	Scope	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks.	Activities the City operates similar to private businesses, the water and sewer systems.
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## 2.1 Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in three categories:

- **Governmental Activities** -- This category includes most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.



- Business-type Activities -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water and sewer systems are included here.
- Component Units -- The City includes one other entity in its report -- the Mobridge Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the City is financially accountable for them. The City has a "debt service agreement" with the Mobridge Housing and Redevelopment Commission that is on an "as needed" basis should the Housing and Redevelopment Commission need assistance.

## 2.2 Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds -- not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental Funds -- Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds -- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- The Fiduciary Funds provide information about the financial relationships in which the city acts solely as a trustee or analyst for the benefit of others, to whom the resources belong. The City has one fiduciary fund, the Fireman's Trust Fund, and is used to gather money to purchase equipment for the Fire Department.

## 2. FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### 3.1 Net Assets

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the city, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Assets. The difference between the city's assets and liabilities is its net assets.

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

The City's combined net assets increased by 4 % between fiscal year 2003 and 2004 increasing by \$190,657 (See Table A-1).

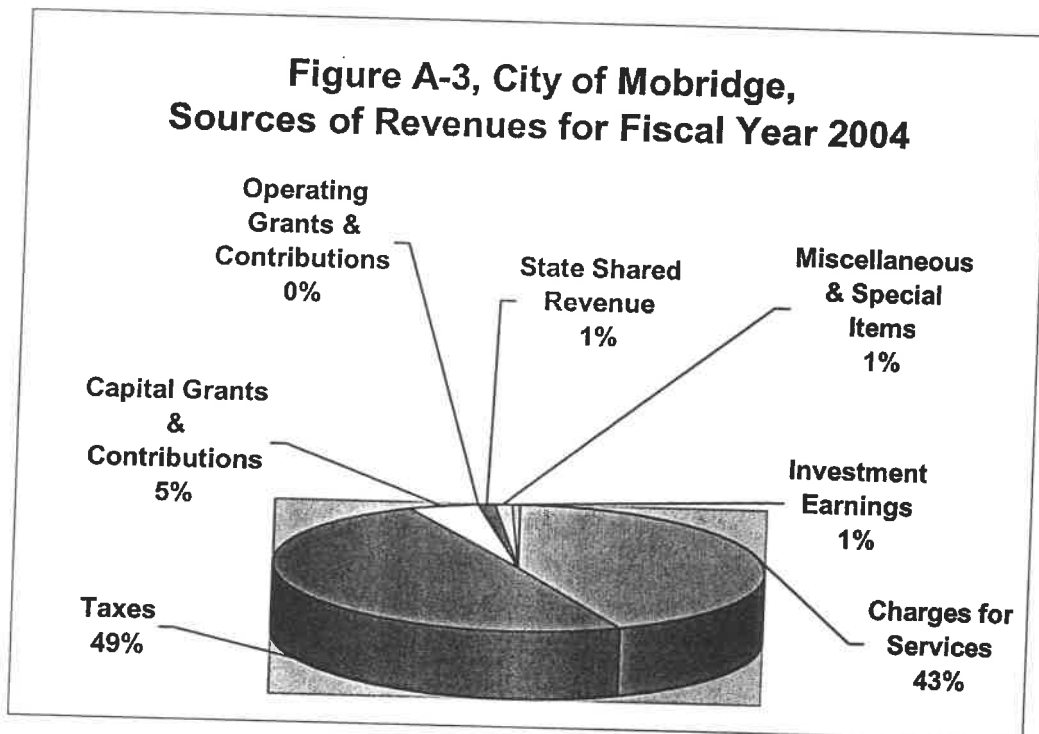
**Table A-1**  
**Statement of Net Assets - City of Mobridge**

	Governmental	Business-Type	Total
	Activities	Activities	
	2004	2004	2004
Current and Other Assets	\$885,632	\$1,895,660	\$2,781,292
Capital Assets	1,832,463	\$3,448,826	\$5,281,289
<b>Total Assets</b>	<b>\$2,718,095</b>	<b>\$5,344,486</b>	<b>\$8,062,581</b>
Long-Term Debt Outstanding	\$1,063,217	\$1,675,882	\$2,739,099
Other Liabilities	\$117,477	\$37,810	\$155,287
<b>Total Liabilities</b>	<b>\$1,180,694</b>	<b>\$1,713,692</b>	<b>\$2,894,386</b>
<b>Net Assets:</b>			
Invested in Capital Assets			
Net of Related Debt	\$795,701	\$1,785,355	\$2,581,056
Restricted	\$577,733	\$644,511	\$1,222,244
Unrestricted	\$163,967	\$1,200,928	\$1,364,895
<b>Total Net Assets</b>	<b>\$1,537,401</b>	<b>\$3,630,794</b>	<b>\$5,168,195</b>
Beginning Net Assets	\$1,501,699	\$3,469,237	\$4,970,936
Increase (Decrease) in Net Assets for 2004	\$35,702	\$161,557	\$197,259
Percentage of Increase (Decrease) in Net Assets for 2004	2%	5%	4%

### 3.2 Changes in Net Assets

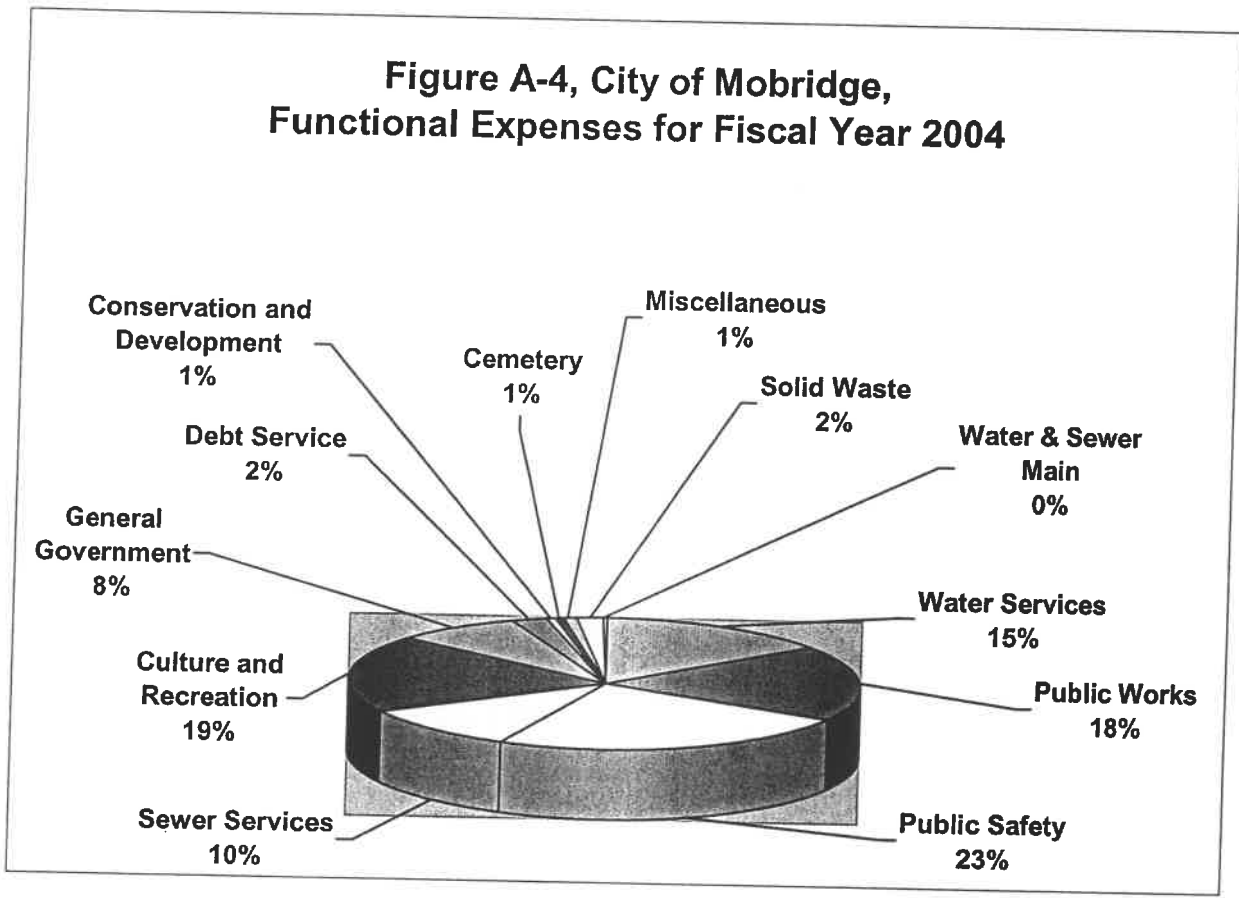
Again because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show condensed financial comparison of revenues and expenses and provide explanations for significant differences.

The City's total revenues were \$ \$3,185,509 excluding special items. (See Table A-2.) Almost all of the City's revenue comes from charges for services and taxes, with 43 cents of every dollar raised coming from charges for services (primarily water, sewer and solid waste operations) and 49 cents of every dollar raised comes from some type of tax. (See Figure A-3). Another 5% comes from state and federal grants for capital purposes with the remaining 3% coming from state-shared revenues, interest earnings, and miscellaneous revenue.



The City's expenses cover a range of services, with over half related to public safety and public works services (road maintenance, water system services and sewer system services). (See Figure A-4.)

**Figure A-4, City of Mobridge,  
Functional Expenses for Fiscal Year 2004**



### 3.3 Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Total revenues for the City increased slightly due to a change in solid waste operations. Total expenses also increased slightly. The City's management limited pay increases to 2 %, which was below the Cost of Living Allowance for 2004 of 2.7 %.

Table A-2  
City of Mobridge  
Changes in Net Assets

	Total Governmental Activities 2004	Total Business-Type Activities 2004	Total 2004
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 350,561	\$ 1,016,323	\$ 1,366,884
Operating Grants	5,000	1,100	6,100
Capital Grants and Contributions	147,465		147,465
General Revenues			
Taxes	1,574,010		1,574,010
Revenue State Sources	35,860		35,860
Unrestricted Investment Earnings	6,048	13,965	20,013
Miscellaneous	29,146	6,031	35,177
<b>Total Revenues</b>	<b>2,148,090</b>	<b>1,037,419</b>	<b>3,185,509</b>
<b>Expenses</b>			
General Government	\$ 242,444		\$ 242,444
Public Safety	703,677		703,677
Public Works	543,393		543,393
Health and Welfare	2,000		2,000
Culture and Recreation	561,907		561,907
Conservation and Development	19,036		19,036
Miscellaneous	25,123		25,123
Debt Service	63,322		63,322
Water Services		443,333	443,333
Sewer Services		310,233	310,233
Cemetery Services		18,207	18,207
Solid Waste Services		47,410	47,410
Water and Sewer Main		8,165	8,165
<b>Total Expenses</b>	<b>2,160,902</b>	<b>827,348 #</b>	<b>2,988,250</b>
Excess (Deficiency) Before Special Items and Transfers	(12,812)	210,071	197,259
Transfers	48,514	(48,514)	0
<b>Increase (Decrease) in Net Assets</b>	<b>35,702</b>	<b>161,557</b>	<b>197,259</b>
<b>Net Assets - Beginning</b>	<b>1,501,699</b>	<b>3,469,237</b>	<b>4,970,936</b>
<b>Net Assets - Ending</b>	<b>1,537,401</b>	<b>3,630,794</b>	<b>5,168,195</b>

### 3.4 Business-type Activities

The City's business-type activities revenues decreased by 1.1% to \$1,037,419. Expenses decreased by 16%. Factors contributing to these results included:

- There was an extremely dry summer that resulted in an increased usage of water services. The costs of providing the service remained virtually the same, which resulted in an increase in the income from water operations.
- The primary reason for the decrease in expenses was due to normal increase in salaries and wages.

The business-type - enterprise Water Fund transferred \$48,514 to the governmental activities – General Fund to subsidize the operation of that fund.

## 3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains twelve governmental funds - General, Additional Sales Tax, 3<sup>rd</sup> Penny Sales Tax, Special Park Gift, Debt Service, Storm Sewer Project, Riverfront project, Frisbee Golf Project, Railroad Crossing Project, South Main Extension Project, Airport Project, and Tails Project, and only five business type funds – Water and Sewer, Cemetery, Solid Waste, and Water and Sewer Main Funds. The City also maintains one Fiduciary fund (the Fireman's Trust Fund).

### 4.1 General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

## 4. CAPITAL ASSET ADMINISTRATION

By the end of 2004, the City had invested \$5,281,288 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.)

	Governmental	Business-type	Total
	Activities	Activities	
	2004	2004	
Land	\$ 167,758	\$ 104,993	\$ 272,751
Buildings	1,176,725	3,172,050	4,348,775
Improvements Other Than Buildings	330,151	0	330,151
Machinery and Equipment	157,828	171,783	329,611
<b>Total Capital Assets (Net)</b>	<b>1,832,462</b>	<b>3,448,826</b>	<b>5,281,288</b>

## 6. LONG-TERM DEBT

At the year-end the City had \$2,739,098 in Revenue Bonds and other long-term obligations. This is a decrease of 11.04% as shown on Table A-4 below.

Table A-4  
City of Mobridge - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2003	2004	2003	2004	2003-2004	2003-2004
Compensated Absences	\$ 29,443	\$ 26,455	\$ 11,531	\$ 12,410	\$ (2,109)	-7.16%
Revenue Bond	1,183,929	1,036,762	1,792,965	1,621,627	\$ (318,505)	-10.70%
Financing (Capital Acquisition) Lease	0		61,051	41,844	\$ (19,207)	-31.46%
<b>Total Outstanding Debt and Obligations</b>	<b>1,213,372</b>	<b>1,063,217</b>	<b>1,865,547</b>	<b>1,675,881</b>	<b>(339,821)</b>	<b>-11.04%</b>

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. The decrease is due to an decrease in the amount of leave accumulated and outstanding at the end of the year.

The City has outstanding \$1,678,389 in Bonds. The bonds are secured and paid for from the Sewer Fund and the Additional Sales Tax Fund. These bonds were used to fund sewer plant upgrades (461016-01 and 461016-02 ) and storm sewer improvements for \$980,000 (461016-03). The bond 461016-03 was issued to refinance the existing debt at a lower interest rate and saved over \$25,000 in interest for the life of the loan.

## 7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### Property Tax and Front Foot Assessment

Year	Valuation	Tax Levy	Amount of Tax	Front Foot Assessment
2000-2001	\$65,917,560	5.900	\$388,913	\$62,277
2001-2002	\$63,845,459	6.320	\$403,503	\$61,672
2002-2003	\$58,818,451	7.128	\$419,258	\$61,585
2003-2004	\$52,986,979	8.130	\$430,784	\$61,369
2004-2005	\$54,117,289	8.270	\$447,550	\$61,715
5 yr Ave	\$59,137,147	7.150	\$418,001	\$61,724
2004 inc (dec)	(\$5,831,472)	1.002	\$11,526	(\$216)
2004 % change	-11.005%	12.325%	2.676%	-0.352%

- Taxes are collected in the year following the taxes being assessed; for example, 2001 taxes are collected in 2002.
- Property was re-evaluated City wide in 2000-2001.
- Property valuation has dropped from a high of \$65,917,560.00 in 2000-2001 to \$52,986,979 in 2003-2004 and has increased \$1.13 million dollars to \$54,117,289 in 2005.
- Property tax assessments have averaged \$418,002 over the last 5 years. The 2003-2004 taxes were 2.676% higher than 2002-2003, or \$11,526.
- Taxes from front footage assessments have averaged \$61,724 over the last 5 years.

The City's current economic position has shown improvement. The City did experience an increase in total property valuation of \$1,130,310 or 2 % from 2003 to 2004. The increase in property valuation occurred primarily because of an increase in new housing and remodeling. The City collected \$16,766 more in property taxes in 2004 than 2003 which is a 2.676 % increase, or slightly below the 2.7% cost of living increase. The City Council chose to increase the amount it levies for taxes by 2.676%. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced an increase in taxable sales of 22% over the prior year. The city has budgeted for a like increase in sales tax revenue for the next year.



**Sales Taxes Collected**

Year	1% Sales Tax	% Increase (Decrease)	2 <sup>nd</sup> Penny Tax	% Increase (Decrease)	3 B Tax	% Increase (Decrease)
1998	\$458,068	5.21%	\$374,410			
1999	\$481,937	-3.85%	\$398,913	6.14%		
2000	\$463,392	5.80%	\$382,277	-4.35%		
2001	\$490,251	-0.49%	\$403,379	5.23%		
2002	\$487,870	14.09%	\$398,357	-1.26%		
2003	\$556,612	22.17%	\$456,455		Started July 1, 2004	
2004	\$679,991	22%	\$595,055	30%	\$47,475 (last 6 mo)	100
2005					\$63,659 (first 6 mo)	

The City's adopted General Fund budget for the next fiscal year will rise nearly 4% to \$727,700. The largest portion of this increase is due to increase in wages and cost-of-living adjustments for the city's employees.

The City's business-type activities include water, waste water (sewer) and solid waste operations. We expect that the results for 2005 for solid waste will be consistent based on a new contract and a change in tipping fees and rates. The margin between expenses and revenues for solid waste remained consistent and cover the cost of administration. Water and waste water rates remain the same. The City is currently at \$17.00 for the first 5000 gallons of water which is below state requirements for grant funding of \$20.00.

**8. CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Mobridge Finance Office, 114 1<sup>st</sup> Ave. East Mobridge, SD 57601.

CITY OF MOBRIDGE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

	<u>PRIMARY GOVERNMENT</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 559,894	\$1,113,529	\$1,673,423	\$ 12,810
Accounts receivable, Net	198,331	45,589	243,920	26,425
Inventories	--	56,612	56,612	--
Deferred charges	--	35,333	35,333	--
Other assets	15,657	86	15,743	1,055
Restricted Assets:				
Cash and cash equivalents	111,750	644,511	756,261	184,299
Capital Assets:				
Land, improvements and construction in progress	167,758	104,993	272,751	652,286
Other capital assets, net of depreciation	<u>1,664,705</u>	<u>3,343,833</u>	<u>5,008,538</u>	<u>11,985</u>
<b>TOTAL ASSETS</b>	<u>\$2,718,095</u> =====	<u>\$5,344,486</u> =====	<u>\$8,062,581</u> =====	<u>\$888,860</u> =====
<b>LIABILITIES:</b>				
Accounts payable	\$ 65,227	\$ 37,810	\$ 103,037	\$ 1,189
Deferred revenue	52,250	--	52,250	--
Other current liabilities	--	--	--	3,375
Noncurrent Liabilities:				
Due within one year	92,333	87,589	179,922	24,190
Due in more than one year	<u>970,884</u>	<u>1,588,293</u>	<u>2,559,177</u>	<u>793,790</u>
<b>TOTAL LIABILITIES</b>	<u>1,180,694</u>	<u>1,713,692</u>	<u>2,894,386</u>	<u>822,544</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	795,701	1,785,355	2,581,056	11,985
Restricted for:				
Capital projects	(38,467)	--	(38,467)	--
Other purposes	616,200	644,511	1,260,711	18,604
Unrestricted	<u>163,967</u>	<u>1,200,928</u>	<u>1,364,895</u>	<u>35,727</u>
<b>TOTAL NET ASSETS</b>	<u>1,537,401</u>	<u>3,630,794</u>	<u>5,168,195</u>	<u>66,316</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$2,718,095</u> =====	<u>\$5,344,486</u> =====	<u>\$8,062,581</u> =====	<u>\$888,860</u> =====

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

CITY OF MOBRIDGE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs Primary Government: Governmental Activities:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Component Unit
General government Public safety Public works Health and welfare Culture and recreation Conservation and development Miscellaneous expenditures *Interest on long-term debt	\$	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	242,444	\$ 41,205	\$ --	(201,239)	--	(201,239)
	703,677	59,985	17,281	(621,411)	--	(621,411)
	543,393	235,886	40,530	(266,977)	--	(266,977)
	2,000	--	--	(2,000)	--	(2,000)
	561,907	13,485	89,654	(458,768)	--	(458,768)
	19,036	--	--	(19,036)	--	(19,036)
	25,123	--	--	(25,123)	--	(25,123)
	63,322	--	--	(63,322)	--	(63,322)
<b>Total Governmental Activities</b>	<b>2,160,902</b>	<b>350,561</b>	<b>147,465</b>	<b>(1,657,876)</b>	<b>--</b>	<b>(1,657,876)</b>
<b>Business-Type Activities:</b>						
Water	443,333	493,250	1,100	--	51,017	51,017
Sewer	310,233	388,642	--	--	78,409	78,409
Cemetery	18,207	10,710	--	--	(7,497)	(7,497)
Solid waste	47,410	113,036	--	--	65,626	65,626
Water and sewer main	8,165	10,685	--	--	2,520	2,520
<b>Total Business-Type Activities</b>	<b>827,348</b>	<b>1,016,323</b>	<b>1,100</b>	<b>--</b>	<b>190,075</b>	<b>190,075</b>
<b>Total Primary Government</b>	<b>\$2,988,250</b>	<b>\$1,366,884</b>	<b>\$147,465</b>	<b>(1,657,876)</b>	<b>190,075</b>	<b>(1,467,801)</b>
<b>Component Unit:</b>						
Housing and redevelopment commission	\$ 640,511	\$ 19,970	\$ --	--	--	\$ 9,511
	=====	=====	=====	=====	=====	=====
<b>General Revenues</b>						
Taxes:						
Property taxes				465,502	--	465,502
Sales taxes				1,108,508	--	1,108,508
State shared revenues				31,778	--	31,778
Grants and contributions not restricted to specific programs				4,082	--	4,082
Unrestricted investment earnings				6,048	13,965	20,013
Miscellaneous Revenue				29,146	86	29,232
Transfers				48,514	(48,514)	--
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>				<b>1,693,578</b>	<b>(28,518)</b>	<b>1,665,060</b>
<b>Change in Net Assets</b>				<b>35,702</b>	<b>161,557</b>	<b>197,259</b>
<b>Net Assets - Beginning</b>				<b>1,501,699</b>	<b>3,469,237</b>	<b>4,970,936</b>
<b>Net Assets - Ending</b>				<b>\$ 1,537,401</b>	<b>\$3,630,794</b>	<b>\$ 5,168,195</b>
				=====	=====	=====

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

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

CITY OF MOBRIDGE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	<u>General Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$119,503	\$416,155	\$ 24,236	\$559,894
Taxes receivable - delinquent	21,757	--	--	21,757
Accounts receivable, net	38,698	21,952	24,016	84,666
Special assessments receivable - current	70,483	--	--	70,483
Special assessments receivable - delinquent	21,425	--	--	21,425
Due from capital projects funds	--	57,885	--	57,885
Prepaid expenses	15,657	--	--	15,657
Advance to general fund	--	14,774	--	14,774
Restricted cash and cash equivalents	<u>11,750</u>	<u>100,000</u>	<u>--</u>	<u>111,750</u>
<b>TOTAL ASSETS</b>	<u>\$299,273</u> =====	<u>\$610,766</u> =====	<u>\$ 48,252</u> =====	<u>\$958,291</u> =====
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 30,077	\$ 30,580	\$ 4,570	\$ 65,227
Due to second penny sales tax fund	--	--	57,885	57,885
Deferred revenue	165,915	--	--	165,915
Advance from special revenue fund	<u>14,774</u>	<u>--</u>	<u>--</u>	<u>14,774</u>
<b>TOTAL LIABILITIES</b>	<u>210,766</u>	<u>30,580</u>	<u>62,455</u>	<u>303,801</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Fire department	11,750	--	--	11,750
Swimming pool	--	100,000	--	100,000
Advance to general fund	--	14,774	--	14,774
Unreserved Fund Balances:				
Designated for next year's appropriation:				
General fund	53,678	30,166	--	83,844
Undesignated, reported in:				
General fund	23,079	--	--	23,079
Special revenue funds	--	435,246	24,264	459,510
Capital projects funds	<u>--</u>	<u>--</u>	<u>(38,467)</u>	<u>(38,467)</u>
<b>TOTAL FUND BALANCES</b>	<u>88,507</u>	<u>580,186</u>	<u>(14,203)</u>	<u>654,490</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$299,273</u> =====	<u>\$610,766</u> =====	<u>\$ 48,252</u> =====	<u>\$958,291</u> =====

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

CITY OF MOBRIDGE  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 DECEMBER 31, 2004

Total Fund Balances - Governmental Funds	\$ 654,490
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,832,463
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(1,063,217)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>113,665</u>
Net Assets - Governmental Funds	\$ 1,537,401 =====

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

CITY OF MOBRIDGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Additional Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 438,186	--	--	\$ 438,186
General sales and use taxes	542,362	534,272	31,874	1,108,508
Gross receipts business taxes	1,671	--	--	1,671
Amusement taxes	924	--	--	924
Tax deed revenue	794	--	--	794
Penalties and interest on delinquent taxes	2,170	--	--	2,170
Licenses and Permits	20,996	--	--	20,996
Intergovernmental Revenue:				
Federal grants	17,281	--	25,571	42,852
State grants	--	--	104,613	104,613
State shared revenue:				
Bank franchise tax	11,456	--	--	11,456
Motor vehicle commercial prorate	3,458	--	--	3,458
Liquor tax reversion	20,322	--	--	20,322
Motor vehicle licenses (5%)	12,632	--	--	12,632
Local government highway and bridge fund	62,717	--	--	62,717
County shared revenue:				
County road tax (25%)	4,108	--	--	4,108
County HBR tax (25%)	775	--	--	775
County wheel tax	3,767	--	--	3,767
Charges for Goods and Services:				
General government	300	--	--	300
Public safety	51,638	--	--	51,638
Highways and streets	458	--	--	458
Sanitation	683	--	--	683
Culture and recreation	13,485	--	--	13,485
Other	19,909	--	--	19,909
Fines and Forfeits:				
Court fines and costs	1,673	--	--	1,673

Library	6,673	--	--	6,673
Other	1	--	--	1
Miscellaneous Revenue:				
Investment earnings				
Rentals	1,478	4,410	160	6,048
Special assessments	24,610	--	--	24,610
Contributions and donations from private sources	76,805	--	--	76,805
Other	7,722	--	1,360	9,082
	<u>3,201</u>	<u>--</u>	<u>--</u>	<u>3,201</u>
TOTAL REVENUE	<u>1,352,255</u>	<u>538,682</u>	<u>163,578</u>	<u>2,054,515</u>

EXPENDITURES:				
General Government:				
Legislative	12,012	--	--	12,012
Executive	74,798	--	--	74,798
Elections	1,272	--	--	1,272
Financial administration	83,521	--	--	83,521
Other	65,075	--	--	65,075
Public Safety:				
Police				
Fire	576,683	30,000	--	606,683
Other protection	63,212	5,000	--	68,212
Public Works:	166	--	--	166
Highways and streets				
Sanitation	275,905	144,585	9,870	430,360
Airport	18,160	--	--	18,160
Health and Welfare:	40,322	--	7,123	47,445
Hospitals, nursing homes and rest homes				
Culture and Recreation:	2,000	--	--	2,000
Recreation				
Parks	62,004	--	--	62,004
Libraries	76,494	42,404	118,251	237,149
Auditorium	78,903	25,000	--	103,903
Museums	98,857	39,260	--	138,117
Conservation and Development:	5,000	--	--	5,000
Economic development and assistance (industrial development)				
	7,543	--	9,500	17,043

(Continued on next page)

CITY OF MOBRIDGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

	General Fund	Additional Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Debt Service	--	--	210,489	210,489
Miscellaneous:				
Other expenditures	--	25,000	--	25,000
Liquor operating agreement	123	--	--	123
<b>TOTAL EXPENDITURES</b>	<u>1,542,050</u>	<u>311,249</u>	<u>355,233</u>	<u>2,208,532</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(189,795)</u>	<u>227,433</u>	<u>(191,655)</u>	<u>(154,017)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	78,431			
Transfers out	(1,500)	54,106	210,489	343,026
Sale of municipal property	1,335	(238,906)	(54,106)	(294,512)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>78,266</u>	<u>(184,800)</u>	<u>156,383</u>	<u>49,849</u>
<b>NET CHANGE IN FUND BALANCES</b>	(111,529)	42,633	(35,272)	(104,168)
<b>CHANGE IN FUND BALANCE RESERVES</b>	5,148	100,000	--	105,148
<b>FUND BALANCE - BEGINNING</b>	<u>194,888</u>	<u>437,553</u>	<u>21,069</u>	<u>653,510</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 88,507</u>	<u>\$ 580,186</u>	<u>\$ (14,203)</u>	<u>\$ 654,490</u>
	=====	=====	=====	=====

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



CITY OF MOBRIDGE  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Governmental Funds	\$(104,168)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(102,525)
Repayment of capital lease and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	147,167
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	21,757
Governmental funds report special assessments as revenue when cash is received, but the statement of activities includes special assessments as revenue when earned.	70,483
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures	<u>2,988</u>
Change in Net Assets of Governmental Activities	\$ 35,702 =====

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

CITY OF MOBRIDGE  
BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2004

	Business-Type Activities Enterprise Funds			Totals
	Major			
	Water Fund	Sewer Fund	Nonmajor	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 307,064	\$ 573,516	\$232,949	\$ 1,113,529
Accounts receivable, net	39,254	4,516	1,819	45,589
Inventory of supplies	47,992	8,620	--	56,612
Prepaid expenses	43	43	--	86
Total Current Assets	<u>394,353</u>	<u>586,695</u>	<u>234,768</u>	<u>1,215,816</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	215,094	429,417	--	644,511
Deferred charges	35,333	--	--	35,333
Capital Assets:				
Land	104,394	34	565	104,993
Buildings	4,619,438	3,816,428	--	8,435,866
Machinery and equipment	127,851	206,163	18,789	352,803
Less: accumulated depreciation (credit)	<u>(2,779,084)</u>	<u>(2,647,733)</u>	<u>(18,019)</u>	<u>(5,444,836)</u>
Total Noncurrent Assets	<u>2,323,026</u>	<u>1,804,309</u>	<u>1,335</u>	<u>4,128,670</u>
TOTAL ASSETS	\$ 2,717,379 =====	\$ 2,391,004 =====	\$236,103 =====	\$ 5,344,486 =====

	Business-Type Activities			Totals
	Enterprise Funds			
	Major		Nonmajor	
Water Fund	Sewer Fund			
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 26,351	\$ 3,577	\$ 7,882	\$ 37,810
Bonds Payable Current:				
Revenue	--	87,589	--	87,589
Total Current Liabilities	26,351	91,166	7,882	125,399
Noncurrent Liabilities:				
Bonds payable:				
Revenue	980,000	554,038	--	1,534,038
Accrued leave payable	7,263	5,148	--	12,411
Other long-term debt	20,922	20,922	--	41,844
Total Noncurrent Liabilities	1,008,185	580,108	--	1,588,293
NET ASSETS:				
Invested in capital assets, net of related debt	1,071,677	712,343	1,335	1,785,355
Restricted net assets, restricted for:				
Equipment repair and/or replacement	215,094	429,417	--	644,511
Unrestricted net assets	396,072	577,970	226,886	1,200,928
Total Net Assets	1,682,843	1,719,730	228,221	3,630,794
TOTAL LIABILITIES AND NET ASSETS	\$ 2,717,379	\$ 2,391,004	\$236,103	\$ 5,344,486
	=====	=====	=====	=====

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

CITY OF MOBRIDGE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities			Totals
	Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor	
OPERATING REVENUE				
Charges for goods and services	\$ 493,250	\$ 388,642	\$134,431	\$1,016,323
TOTAL OPERATING REVENUE	<u>493,250</u>	<u>388,642</u>	<u>134,431</u>	<u>1,016,323</u>
OPERATING EXPENSES:				
Personal services	167,377	93,484	--	260,861
Other current expenses	193,306	102,210	73,782	369,298
Depreciation	<u>31,172</u>	<u>89,709</u>	<u>--</u>	<u>120,881</u>
TOTAL OPERATING EXPENSES	<u>391,855</u>	<u>285,403</u>	<u>73,782</u>	<u>751,040</u>
OPERATING INCOME	<u>101,395</u>	<u>103,239</u>	<u>60,649</u>	<u>265,283</u>
NONOPERATING REVENUE (EXPENSE)				
Operating grants	1,100	--	--	1,100
Investment earnings	4,647	8,787	531	13,965
Interest expense and fiscal charges	(51,478)	(24,830)	--	(76,308)
Other	<u>4,300</u>	<u>1,731</u>	<u>--</u>	<u>6,031</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(41,431)</u>	<u>(14,312)</u>	<u>531</u>	<u>(55,212)</u>
INCOME BEFORE CONTRIBUTIONS, SPECIAL ITEMS, EXTRAORDINARY ITEMS AND TRANSFERS	59,964	88,927	61,180	210,071
TRANSFERS OUT	<u>(48,514)</u>	<u>--</u>	<u>--</u>	<u>(48,514)</u>
CHANGE IN NET ASSETS	11,450	88,927	61,180	161,557
NET ASSETS - BEGINNING	<u>1,671,393</u>	<u>1,630,803</u>	<u>167,041</u>	<u>3,469,237</u>
NET ASSETS - ENDING	\$1,682,843 =====	\$1,719,730 =====	\$228,221 =====	\$3,630,794 =====

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

CITY OF MOBRIDGE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities Enterprise Funds			<u>Totals</u>
	Major			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from customers	\$ 491,432	\$ 388,028	\$133,839	\$ 1,013,299
Cash payments to employees for services	(167,680)	(92,303)	--	(259,983)
Cash payments to suppliers of goods and services	<u>(175,256)</u>	<u>(104,333)</u>	<u>(70,787)</u>	<u>(350,376)</u>
Net cash provided by operating activities	<u>148,496</u>	<u>191,392</u>	<u>63,052</u>	<u>402,940</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers out	<u>(48,514)</u>	<u>--</u>	<u>--</u>	<u>(48,514)</u>
Net cash used by noncapital financing activities	<u>(48,514)</u>	<u>--</u>	<u>--</u>	<u>(48,514)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from capital debt	1,050,000	--	--	1,050,000
Purchase of capital assets	(8,390)	(63,750)	--	(72,140)
Principal paid on capital debt	(1,165,949)	(109,928)	--	(1,275,877)
Interest paid on capital debt	(51,478)	(24,830)	--	(76,308)
Other receipts	<u>5,400</u>	<u>1,731</u>	<u>--</u>	<u>7,131</u>
Net cash used by capital and related financing activities	<u>(170,417)</u>	<u>(196,777)</u>	<u>--</u>	<u>(367,194)</u>

	Business-Type Activities Enterprise Funds			<u>Totals</u>
	Major			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	<u>4,647</u>	<u>8,787</u>	<u>531</u>	<u>13,965</u>
Net cash provided by investing activities	<u>4,647</u>	<u>8,787</u>	<u>531</u>	<u>13,965</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,788)	3,402	63,583	1,197
BALANCES - BEGINNING	<u>587,946</u>	<u>999,531</u>	<u>169,366</u>	<u>1,756,843</u>
BALANCES - ENDING	\$ 522,158 =====	\$1,002,933 =====	\$232,949 =====	\$ 1,758,040 =====

(Continued on next page)

CITY OF MOBRIDGE  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 (Continued)

	Business-Type Activities Enterprise Funds			Totals
	Major			
	Water Fund	Sewer Fund	Nonmajor	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 101,395	\$ 103,239	\$ 60,649	\$ 265,283
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	31,172	89,709	--	120,881
Changes in assets and liabilities:				
Receivables	(1,818)	(614)	(592)	(3,024)
Inventories	(5,611)	1,568	--	(4,043)
Prepaid expense	(43)	(43)	--	(86)
Accounts and other payables	23,704	(3,648)	2,995	23,051
Accrued leave payable	(303)	1,181	--	878
Net cash provided by operating activities	\$ 148,496 =====	\$ 191,392 =====	\$ 63,052 =====	\$ 402,940 =====

Noncash transactions:

The Water Fund also incurred the following noncash transactions in addition to the transactions reflected in the reconciliation of operating income to net cash provided by operating activities:

Deferred charges

\$ 35,333  
=====

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

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Mobridge consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The Housing and Redevelopment Commission of the City of Mobridge, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from Arlo D. Smith, PO Box 1270, Aberdeen, South Dakota 57402-1270.

b. Basis of Presentation:

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 amended accounting principles generally accepted in the United



CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

States (USGAAP) by establishing a new reporting model 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 new reporting model significantly changed the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information. The implementation of GASB No. 34 results in a lack of comparability between these financial statements and those presented in prior years.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1, above.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities,

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined; or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

Additional Sales Tax Fund - To account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment and debt retirement (SDCL 10-52-2). This is a major fund.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

Third Penny Sales Tax Fund - To account for collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purposes of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the City. This is not a major fund.

Special Park Gift Fund - To account for contributions and expenses designated for parks. This is not a major fund.

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

Storm Sewer Debt Service Fund - To account for the accumulation of resources which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

Capital Project Funds - Capital project 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 or trust funds for individuals, private organizations, or other governments).

Storm Sewer Capital Project Fund - To account for financial resources to be used for the construction of storm sewer. This is not a major fund.

Riverfront Capital Project Fund - To account for financial resources to be used for the construction on the riverfront. This is not a major fund.

Frisbee Capital Project Fund - To account for financial resources to be used for the construction of the frisbee golf course. This is not a major fund.

Railroad Crossing Capital Project Fund - To account for financial resources to be used for the construction of railroad crossing. This is not a major fund.

South Main Extension Capital Project Fund - To account for financial resources to be used for the construction of the South Main extension. This is not a major fund.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

Airport Capital Project Fund - To account for financial resources to be used for the construction of airport renovations. This is not a major fund.

Trail Capital Project Fund - To account for financial resources to be used for the construction of trails. This is not a major fund.

Proprietary Funds:

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

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Water Fund - Financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

Sewer Fund - Financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

Solid Waste Fund - Financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 3-4A-6). This is not a major fund.

Cemetery Fund - Financed primarily by user charges, this fund accounts for the acquisition, construction and operation of a municipal cemetery (SDCL 9-32-13). This is not a major fund.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental and similar fiduciary fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar trust funds.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds and similar fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

does not exceed one bill-paying cycle, and for the City of Mobridge, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2004, are sales tax and a state grant.

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 are 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.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

Fund Financial Statements:

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. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources".

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2004 balance of governmental activities capital assets includes approximately 100 percent for which the costs were determined by estimates of the original costs. The total December 31, 2004 balance of business-type capital assets includes approximately 100 percent for which the costs were 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 and appraisals.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2003, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2003, are recorded at estimated cost, and classified as "improvements other than buildings".

For governmental activities capital assets, construction period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as unallocated depreciation, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet.

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 1 - (Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ --	N/A	N/A
Improvements other than buildings	\$3,000	Straight-line	10 to 50 years
Buildings	\$3,000	Straight-line	10 to 50 years
Machinery and equipment	\$3,000	Straight-line	5 to 20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, financial (capital acquisition) leases and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.



CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary funds Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financial activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. All the funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-Wide Statements:

Equity is classified as net assets and is displayed in three components:

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - (Continued)

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "reserved" and "unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

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

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

<u>General Fund:</u>	<u>Year Ended</u>
<u>Activity</u>	<u>12/31/04</u>
Public safety - police	\$17,935

The City plans to address these violations by budgeting a larger amount for police in 2005.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 3 - DEFICIT FUND BALANCES/FUND NET ASSETS

As of December 31, 2004, the following funds had deficit fund balances/retained earnings in the amounts shown:

South Main Extension Fund	\$ 4,570
Riverfront Project Fund	\$13,534
Frisbee Fund	\$18,217
Railroad Crossing Fund	\$ 5,300

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

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 investment. The City's policy is to credit all income from deposits and investments to the fund making the investment.

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 4 - (Continued)

The actual bank balances at December 31, 2004, were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 341,343
Uninsured, collateral jointly held by state's/city's agent in the name of the state and the pledging financial institution	2,268,885
Uninsured, uncollateralized	<u>          --</u>
Total Deposits	\$2,610,228 =====

The carrying amount of deposits on the December 31, 2004 balance sheet was \$2,429,684.

Reconciliation of deposits to government-wide Statement of Net Assets:

Cash and cash equivalents	\$2,417,934
Add: Investments (Certificate of Deposit over 90 day maturity)	<u>          --</u>
Total Reconciled Deposits	\$2,417,934 =====

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 including, without limitation, United States treasury bills, notes, bonds and other obligations issued directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of SDCL 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 4 - (Continued)

Investments are stated at fair value. Accordingly, changes in market value of investments at year-end are reflected as a component of earnings on investments.

The City's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

The City had no investments at December 31, 2004.

NOTE 5 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

NOTE 6 - INVENTORY

Inventory in the General Fund and Proprietary Funds consists of expendable supplies held for consumption. Supply inventories are recorded at the lower of cost or market. The cost method is first-in, first-out (FIFO).

Government-Wide Financial Statements

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 7 - 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 8 - PROPERTY TAXES

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

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

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 9 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2004, is as follows:

	<u>Balance</u> <u>01/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/04</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ <u>167,758</u>	\$ <u>      --</u>	\$ <u>      --</u>	\$ <u>167,758</u>
Total capital assets, not being depreciated	<u>167,758</u>	<u>      --</u>	<u>      --</u>	<u>167,758</u>
Capital assets, being depreciated:				
Buildings	1,742,809	--	--	1,742,809
Improvements other than buildings	554,612	--	--	554,612
Machinery and equipment	<u>1,056,088</u>	<u>      --</u>	<u>      --</u>	<u>1,056,088</u>
Total capital assets, being depreciated	<u>3,353,509</u>	<u>      --</u>	<u>      --</u>	<u>3,353,509</u>
Less accumulated depreciation for:				
Buildings	--	566,083	--	566,083
Improvements other than buildings	--	224,461	--	224,461
Machinery and Equipment	<u>      --</u>	<u>898,260</u>	<u>      --</u>	<u>898,260</u>
Total accumulated depreciation	<u>      --</u>	<u>1,688,804</u>	<u>      --</u>	<u>1,688,804</u>
Total governmental activities capital assets, being depreciated, net	<u>3,353,509</u>	<u>(1,688,804)</u>	<u>      --</u>	<u>1,664,705</u>
Governmental activity capital assets, net	\$3,521,267 =====	\$(1,688,804) =====	\$-- ==	\$1,832,463 =====

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 9 - (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 3,153
Public safety	34,840
Public works	48,197
Culture and recreation	14,342
Conservation and development	<u>1,993</u>
Total depreciation expense - governmental activities	 \$102,525 =====

	<u>Balance</u> <u>01/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/04</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ <u>104,993</u>	\$ <u>          --</u>	\$ <u>          --</u>	\$ <u>104,993</u>
Total capital assets, not being depreciated	<u>104,993</u>	<u>          --</u>	<u>          --</u>	<u>104,993</u>
Capital assets, being depreciated:				
Buildings	8,435,867	--	--	8,435,867
Machinery and equipment	<u>280,663</u>	<u>72,139</u>	<u>          --</u>	<u>352,802</u>
Total capital assets, being depreciated	<u>8,716,530</u>	<u>72,139</u>	<u>          --</u>	<u>8,788,669</u>
Less accumulated depreciation for:				
Buildings	5,166,397	97,420	--	5,263,817
Machinery and Equipment	<u>157,559</u>	<u>23,460</u>	<u>          --</u>	<u>181,019</u>
Total accumulated depreciation	<u>5,323,956</u>	<u>120,880</u>	<u>          --</u>	<u>5,444,836</u>
Total business-type activities capital assets, being depreciated, net	<u>3,392,574</u>	<u>(48,741)</u>	<u>          --</u>	<u>3,343,833</u>
Business-type activity capital assets, net	\$3,497,567 =====	\$ (48,741) =====	\$-- ==	\$3,448,826 =====



CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 9 - (Continued)

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Water	\$ 31,172
Sanitary sewer	<u>89,708</u>
Total depreciation expense - business-type activities	\$120,880 =====

NOTE 10 - CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended December 31, 2004, is as follows:

	<u>01/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/04</u>
Land	\$ --	\$ 23,696	\$ --	\$ 23,696
Equipment	21,525	10,573	(4,280)	27,818
Accumulated depreciation	(17,498)	(2,319)	3,984	(15,833)
Construction-in- Progress: buildings	<u>    --</u>	<u>628,590</u>	<u>    --</u>	<u>628,590</u>
	\$ 4,027 =====	\$660,540 =====	\$ (296) =====	\$664,271 =====

The building addition of \$628,590 includes \$17,980 of interest accrued during construction of an 8-plex housing unit. Approximately \$162,000 remains to be done to complete this housing unit. The housing unit is built under SDCL 11-7-53.3.

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 11 - LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental					
activities:					
Bonds payable:					
Revenue	\$1,183,929	\$ --	\$ 147,167	\$1,036,762	\$ 92,333
Total debt	1,183,929	--	147,167	1,036,762	92,333
Accrued					
compensated					
absences -					
governmental					
funds	29,443	--	2,988	26,455	26,455
Total governmental	1,213,372	--	150,155	1,063,217	118,788
Business-type					
activities:					
Bonds payable:					
Revenue	1,792,965	1,050,000	1,221,338	1,621,627	87,589
Financing (capital					
acquisition)					
leases	61,051	--	19,207	41,844	20,328
Total debt	1,854,016	1,050,000	1,240,545	1,663,471	107,917
Accrued					
compensated					
absences -					
business-type					
funds	11,531	879	--	12,410	12,410
Total	1,865,547	1,050,879	1,240,545	1,675,881	120,327
Total Primary	\$3,078,919	\$1,050,879	\$1,390,700	\$2,739,098	\$239,115
Government	=====	=====	=====	=====	=====
Component Unit:					
Bonds payable:					
Revenue	\$ --	\$ 800,000	\$ --	\$ 800,000	\$ 6,210
	=====	=====	=====	=====	=====

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 11 - (Continued)

In 2004 the City issued \$1,050,000 in water utility revenue refunding bonds with an average interest rate of 4.073 percent to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal At Time of Refunding
7-1-99	Drinking Water State Revolving Fund	5.25%	\$736,373
5-11-01	Drinking Water State Revolving Fund	5.25%	\$278,294

The entire proceeds of the refunding issue, in the amount of \$1,023,545, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's Water Fund records.

The City refunded the debt to reduce its total debt service payments over the next ten years by \$25,298 and to obtain an economic gain of \$34,734.

Debt payable at December 31, 2004, is comprised of the following:

Revenue Bonds:

The Second Penny Sales Tax Fund is making quarterly payments of \$42,098 to First National Bank in Sioux Falls with interest at 4.5%, maturing April 2012 \$1,036,762

Water Utility Revenue Refunding Bonds, Series 2004, maturing January 2015, 1.9-4.65%, payable from the Water Fund in installments of \$75,000 to \$115,000, beginning January 1, 2005 \$ 980,000

The Sewer Fund is making monthly payments of \$8,319, including principal and interest at 3.0%, with a final maturity of October 2011 \$ 609,305

The Sewer Fund is making monthly payments of \$1,171, including principal and interest at 4.0%, with a final maturity of June 2007 \$ 32,322

Compensated Absences:

Accrued vacation and sick leave for General Fund and Enterprise Fund employees. Payment to be made by the fund that the payroll expenditures are charged to. \$ 38,865

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 11 - (Continued)

Financing (Capital Acquisition) Lease:

The Water and Sewer Funds are making a yearly combined payment of \$22,772, including principal and interest of 5.84%, with a final maturity of May 2006

\$ 41,844

The revenue bonds in the Water and Sewer Funds are secured by the revenues derived from the operation of the utility after payment of the operating expenses of the utility.

The annual requirements to amortize all debt outstanding as of December 31, 2004, except for compensated absences but including interest payments of \$479,149, are as follows:

Annual Requirements to Amortize Long-Term Debt  
 December 31, 2004

Year Ending Dec. 31,	Revenue Bonds		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 179,922	\$ 69,249	\$20,328	\$2,444	\$ 200,250	\$ 71,693
2006	316,496	91,557	21,516	1,256	338,012	92,813
2007	318,402	80,239	--	--	318,402	80,239
2008	325,248	68,700	--	--	325,248	68,700
2009	334,401	56,437	--	--	334,401	56,437
2010 - 2014	1,108,920	107,523	--	--	1,108,920	107,523
2015 - 2019	75,000	1,744	--	--	75,000	1,744
<b>Total</b>	<b>\$2,658,389</b>	<b>\$475,449</b>	<b>\$41,844</b>	<b>\$3,700</b>	<b>\$2,700,233</b>	<b>\$479,149</b>
	=====	=====	=====	=====	=====	=====

NOTE 12 - 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, nor 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, 2004, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$5,060,000.

CITY OF MOBRIDGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004

NOTE 13 - OPERATING LEASES

The City is leasing two Canon copiers from Best Business Products, Inc. The General Fund is making the lease payments. The lease is for 36 months with monthly lease payments of \$212.80 starting June, 2004.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>General Fund</u>
2006	\$2,554
2007	2,554
2008	<u>1,064</u>
Total	\$6,172 =====

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because all enterprise funds maintained by the City have been included in the City's proprietary funds balance sheet and statement of revenues, expenses, and changes in net assets.

NOTE 15 - RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Governmental Activities:		
Fire Department	Law	\$ 11,750
Swimming Pool	Law	100,000
Additional Sales Tax Fund	Law	480,186
Third Penny Sales Tax Fund	Law	22,534
Special Park Gift Fund	Law	<u>1,730</u>
Total		\$616,200 =====
Business-Type Activities:		
Water Fund	Law	\$215,094
Sewer Fund	Law	<u>429,417</u>
Total		\$644,511 =====

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 16 - ACCOUNTING CHANGES

The net assets as of July 1, 2003, on the government-wide Statement of Net Assets has been adjusted to restate the cumulative effects of applying GASB 34 during the first year of its implementation.

NOTE 17 - RETIREMENT PLAN

All employees, except for part-time and seasonal employees who work less than 20 hours per week or six months per year and council members, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2004, 2003 and 2002 were \$53,681, \$50,917, and \$48,282, respectively, equal to the required contributions each year.

NOTE 18 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2004, the City was not involved in any litigation.

NOTE 19 - 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 year ended December 31, 2004, the City managed its risks as follows:

CITY OF MOBRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 19 - (Continued)

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.

Worker's Compensation:

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by the State of South Dakota.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MOBRIDGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
DECEMBER 31, 2004

Note 1 - Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

The City did not encumber any amounts at December 31, 2004.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund. 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 Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

CITY OF MOBRIDGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
DECEMBER 31, 2004  
(Continued)

Note 2 - GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MOBRIDGE  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 436,646	\$ 436,646	\$ 438,186	\$ 1,540
General sales and use taxes	498,000	498,000	542,362	44,362
Gross receipts business taxes	2,000	2,000	1,671	(329)
Amusement taxes	--	--	924	924
Tax deed revenue	--	--	794	794
Penalties and interest on delinquent taxes	--	--		
License and Permits	18,950	18,950	2,170	2,170
Intergovernmental Revenue:			20,996	2,046
Federal grants	--	--	17,281	17,281
State shared revenue:				
Bank franchise tax	10,000	10,000	11,456	1,456
Motor vehicle commercial prorate	--	--	3,458	3,458
Liquor tax reversion	20,000	20,000	20,322	322
Motor vehicle licenses (5%)	14,000	14,000	12,632	(1,368)
Local government highway and bridge fund	50,000	50,000	62,717	12,717
County shared revenue:				
County road tax (25%)	5,000	5,000	4,108	(892)
County HBR tax (25%)	--	--	775	775
County wheel tax	4,000	4,000	3,767	(233)
Other	2,000	2,000	--	(2,000)
Charges for Goods and Services:				
General government	--	--	300	300
Public safety	42,000	42,000	51,638	9,638
Highways and streets	400	400	458	58
Sanitation	--	--	683	683
Culture and recreation	13,000	13,000	13,485	485
Other	3,000	3,000	19,909	16,909

Fines and Forfeits:						
Court fines and costs	6,000	6,000		1,673	(4,327)	
Library	--	--		6,673	6,673	
Other	--	--		1	1	
Miscellaneous Revenue:						
Investment earnings	2,000	2,000		1,478	(522)	
Rentals	12,000	12,000		24,610	12,610	
Special assessments	65,000	65,000		76,805	11,805	
Contributions and donations from private sources	3,000	3,000		7,722	4,722	
Other	<u>10,000</u>	<u>10,000</u>		<u>3,201</u>	<u>(6,799)</u>	
TOTAL REVENUE	<u>1,216,996</u>	<u>1,216,996</u>		<u>1,352,255</u>	<u>135,259</u>	
EXPENDITURES:						
General Government:						
Legislative	77,497	12,497		12,012	485	
Contingency	20,000	20,000				
Amount transferred		(19,557)			443	
Executive	4,117	73,967		74,798	(831)	
Elections	--	1,272		1,272	--	
Financial administration	196,649	96,199		83,521	12,678	
Other	65,500	69,850		65,075	4,775	
Public Safety:						
Police	467,098	558,748		576,683	(17,935)	
Fire	28,881	51,201		63,212	(12,011)	
Other protection	--	--		166	(166)	
Public Works:						
Highways and streets	218,385	267,302		275,905	(8,603)	
Sanitation	--	18,162		18,160	2	
Airport	42,300	48,525		40,322	8,203	
Health and Welfare:						
Health	8,000	8,000		--	8,000	
Hospitals, nursing homes, and rest homes	2,000	2,000		2,000	--	
Culture and Recreation:						
Recreation	44,336	62,001		62,004	(3)	
Parks	72,000	75,245		76,494	(1,249)	
Libraries	77,392	80,167		78,903	1,264	
Auditorium	90,202	96,102		98,857	(2,755)	
Museums	5,000	5,000		5,000	--	

(Continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION  
 CITY OF MOBRIDGE  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 (Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Conservation and Development: Economic development and assistance (industrial development)	9,040	9,040	7,543	1,497
Miscellaneous: Liquor operating agreement	--	123	123	--
<b>TOTAL EXPENDITURES</b>	<b>1,428,397</b>	<b>1,535,844</b>	<b>1,542,050</b>	<b>(6,206)</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(211,401)</b>	<b>(318,848)</b>	<b>(189,795)</b>	<b>129,053</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	44,336	121,267	78,431	(42,836)
Transfers out	--	(1,501)	(1,500)	1
Sale of municipal property	--	--	1,335	1,335
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>44,336</b>	<b>119,766</b>	<b>78,266</b>	<b>(41,500)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(167,065)</b>	<b>(199,082)</b>	<b>(111,529)</b>	<b>87,553</b>
<b>CHANGE IN FUND BALANCE RESERVES</b>	--	--	5,148	5,148
<b>FUND BALANCE - BEGINNING</b>	<b>194,888</b>	<b>194,888</b>	<b>194,888</b>	<b>--</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 27,823</b>	<b>\$ (4,194)</b>	<b>\$ 88,507</b>	<b>\$ 92,701</b>
	=====	=====	=====	=====

SUPPLEMENTARY INFORMATION

CITY OF MOBRIDGE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2004

	Third Penny Sales tax Fund	Special Park Gift Fund	Riverfront Project Fund	Frisbee Fund	Railroad Crossing Fund	South Main Extension Fund	Trails Fund	Total Nonmajor Governmental Funds
ASSETS:								
Cash and cash equivalents	\$19,352	\$ 1,730	\$ --	\$ --	\$ --	\$ --	\$3,154	\$ 24,236
Accounts receivable	<u>3,182</u>	--	--	<u>20,834</u>	--	--	--	<u>24,016</u>
TOTAL ASSETS	\$22,534	\$ 1,730	\$ --	\$ 20,834	\$ --	\$ --	\$3,154	\$ 48,252
	=====	=====	=====	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,570	\$ --	\$ 4,570
Due to Second Penny Sales Tax Fund	--	--	<u>13,534</u>	<u>39,051</u>	<u>5,300</u>	--	--	<u>57,885</u>
TOTAL LIABILITIES	--	--	<u>13,534</u>	<u>39,051</u>	<u>5,300</u>	<u>4,570</u>	--	<u>62,455</u>
FUND BALANCES:								
Unreserved Fund Balances:								
Undesignated, reported in:								
Special Revenue Funds	22,534	1,730	--	--	--	--	--	24,264
Capital Projects Funds	--	--	(13,534)	(18,217)	(5,300)	(4,570)	3,154	(38,467)
TOTL FUND BALANCES	<u>22,534</u>	<u>1,730</u>	<u>(13,534)</u>	<u>(18,217)</u>	<u>(5,300)</u>	<u>(4,570)</u>	<u>3,154</u>	<u>(14,203)</u>
	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL LIABILITIES AND FUND BALANCES	\$22,534	\$ 1,730	\$ --	\$ 20,834	\$ --	\$ --	\$3,154	\$ 48,252
	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF MOBRIDGE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2004

	Third Penny Sales Tax Fund	Special Park Gift Fund	Debt Service Fund	Storm Sewer Project Fund	Riverfront Project Fund	Frisbee Fund	Railroad Crossing Fund	South Main Extension Fund	Airport Project Fund	Trails Fund	Total Nonmajor Governmental Funds
REVENUE:											
Taxes:											
General Sales											
and use taxes	\$31,874	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 31,874
Intergovernmental											
Revenue:											
Federal grants	--	--	--	--	--	--	--	--	25,571	--	25,571
State grants	--	--	--	3,150	--	20,834	--	--	11,809	68,820	104,613
Miscellaneous Revenue:											
Investment earnings	160	--	--	--	--	--	--	--	--	--	160
Contributions and											
donations from											
private sources	--	1,360	--	--	--	--	--	--	--	--	1,360
TOTAL REVENUE	32,034	1,360	--	3,150	--	20,834	--	--	37,380	68,820	163,578
EXPENDITURES:											
Public Works:											
Highways and											
streets	--	--	--	--	--	--	5,300	4,570	--	--	9,870
Airport	--	--	--	--	--	--	--	--	7,123	--	7,123
Culture and Recreation:											
Parks	--	--	--	--	13,534	39,051	--	--	--	65,666	118,251
Conservation and											
Development:											
Economic											
development											
and assistance											
(industrial											
development)	9,500	--	--	--	--	--	--	--	--	--	9,500
Debt Service	--	--	210,489	--	--	--	--	--	--	--	210,489
TOTAL EXPENDITURES	9,500	--	210,489	00	13,534	39,051	5,300	4,570	7,123	65,666	355,233
EXCESS OF REVENUE OVER											
(UNDER) EXPENDITURES	22,534	1,360	(210,489)	3,150	(13,534)	(18,217)	(5,300)	(4,570)	30,257	3,154	(191,655)
OTHER FINANCING SOURCES											
(USES):											
Transfers in	--	--	210,489	--	--	--	--	--	--	--	210,489
Transfers out	--	--	--	(23,849)	--	--	--	--	(30,257)	--	(54,106)
TOTAL OTHER FINANCING											
SOURCES (USES)											
NET CHANGE IN FUND											
BALANCES	22,534	1,360	--	(20,699)	(13,534)	(18,217)	(5,300)	(4,570)	--	3,154	(35,272)
FUND BALANCE - BEGINNING	--	370	--	20,699	--	--	--	--	--	--	21,069
FUND BALANCE - ENDING	\$22,534	\$1,730	\$ --	\$ --	\$ (13,534)	\$ (18,217)	\$ (5,300)	\$ (4,570)	\$ --	\$ 3,154	\$ (14,203)



CITY OF MOBRIDGE  
 COMBINING BALANCE SHEET  
 NONMAJOR ENTERPRISE FUNDS  
 DECEMBER 31, 2004

	Business-Type Activities Nonmajor Enterprise Funds			Totals
	Cemetery Fund	Solid Waste Fund	Water and Sewer Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 62,042	\$83,208	\$87,699	\$232,949
Accounts receivable, net	<u>400</u>	<u>1,307</u>	<u>112</u>	<u>1,819</u>
Total Current Assets	<u>62,442</u>	<u>84,515</u>	<u>87,811</u>	<u>234,768</u>
Noncurrent Assets:				
Capital Assets:				
Land	565	--	--	565
Machinery and equipment	18,789	--	--	18,789
Less: accumulated depreciation (credit)	<u>(18,019)</u>	<u>--</u>	<u>--</u>	<u>(18,019)</u>
Total Noncurrent Assets	<u>1,335</u>	<u>--</u>	<u>--</u>	<u>1,335</u>
<b>TOTAL ASSETS</b>	<b>\$ 63,777</b>	<b>\$84,515</b>	<b>\$87,811</b>	<b>\$236,103</b>
	=====	=====	=====	=====
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ <u>2,573</u>	\$ <u>5,309</u>	\$ <u>  --</u>	\$ <u>7,882</u>
Total Current Liabilities	<u>2,573</u>	<u>5,309</u>	<u>--</u>	<u>7,882</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	1,335	--	--	1,335
Unrestricted net assets	<u>59,869</u>	<u>79,206</u>	<u>87,811</u>	<u>226,886</u>
Total Net Assets	<u>61,204</u>	<u>79,206</u>	<u>87,811</u>	<u>228,221</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 63,777</b>	<b>\$84,515</b>	<b>\$87,811</b>	<b>\$236,103</b>
	=====	=====	=====	=====

CITY OF MOBRIDGE  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities Nonmajor Enterprise Funds			Totals
	Cemetery Fund	Solid Waste Fund	Water and Sewer Fund	
OPERATING REVENUE:				
Charges for goods and services	<u>\$10,710</u>	<u>\$113,036</u>	<u>\$10,685</u>	<u>\$134,431</u>
TOTAL OPERATING REVENUE	<u>10,710</u>	<u>113,036</u>	<u>10,685</u>	<u>134,431</u>
OPERATING EXPENSES:				
Other current expense	<u>18,207</u>	<u>47,410</u>	<u>8,165</u>	<u>73,782</u>
TOTAL OPERATING EXPENSES	<u>18,207</u>	<u>47,410</u>	<u>8,165</u>	<u>73,782</u>
OPERATING INCOME (LOSS)	<u>(7,497)</u>	<u>65,626</u>	<u>2,520</u>	<u>60,649</u>
NONOPERATING REVENUE (EXPENSE):				
Investment earnings	<u>531</u>	<u>--</u>	<u>--</u>	<u>531</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>531</u>	<u>--</u>	<u>--</u>	<u>531</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS, SPECIAL ITEMS, EXTRAORDINARY ITEMS AND TRANSFERS	<u>(6,966)</u>	<u>65,626</u>	<u>2,520</u>	<u>61,180</u>
CHANGE IN NET ASSETS	<u>(6,966)</u>	<u>65,626</u>	<u>2,520</u>	<u>61,180</u>
NET ASSETS - BEGINNING	<u>68,170</u>	<u>13,580</u>	<u>85,291</u>	<u>167,041</u>
NET ASSETS - ENDING	<u>\$61,204</u> =====	<u>\$ 79,206</u> =====	<u>\$87,811</u> =====	<u>\$228,221</u> =====

CITY OF MOBRIDGE  
 COMBINING STATEMENT OF CASH FLOWS--  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities Nonmajor Enterprise Funds			Totals
	Cemetery Fund	Solid Waste Fund	Water and Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 10,310	\$112,860	\$10,669	\$133,839
Cash payments to suppliers of goods and services	(15,634)	(46,988)	(8,165)	(70,787)
Net cash provided (used) by operating activities	(5,324)	65,872	2,504	63,052
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	--	--	--	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	531	--	--	531
Net cash provided by investing activities	531	--	--	531
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,793)	65,872	2,504	63,583
BALANCES - BEGINNING	66,835	17,336	85,195	169,366
BALANCES - ENDING	\$ 62,042 =====	\$ 83,208 =====	\$87,699 =====	\$232,949 =====
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (7,497)	\$ 65,626	\$ 2,520	\$ 60,649
Change in assets and liabilities:				
Receivables	(400)	(176)	(16)	(592)
Accounts and other payables	2,573	422	--	2,995
Net cash provided (used) by operating activities	\$ (5,324) =====	\$ 65,872 =====	\$ 2,504 =====	\$ 63,052 =====