

CITY OF CROOKS  
AUDIT REPORT  
DECEMBER 31, 2012



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

City Council  
City of Crooks  
Crooks, South Dakota

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crooks, South Dakota, as of December 31, 2012, and for the year then ended, and the related notes to financial statements which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 7, 2013.

### **Internal Control over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings I identified certain deficiencies in the internal control that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Current Audit Findings as item number 2012-01 to be a material weakness.

### **Compliance and Other Matters**

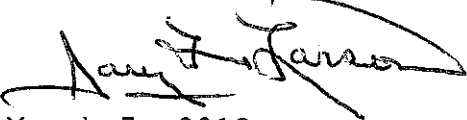
As part of obtaining reasonable assurance about whether the City of Crooks's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the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

### **City's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is intended solely to describe the scope of my testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



March 7, 2013

# Gary L. Larson, CPA

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900 Winchester Drive  
Pierre, SD 57501  
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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Crooks  
Crooks, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crooks, South Dakota, as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crooks as of December 31, 2012, and the respective changes in financial position and, where applicable cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information:**

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. My opinion on the basic financial statements is not affected by this missing information.

#### **Other Reporting Required by Governmental Auditing Standards**

In accordance with the *Government Auditing Standards*, I have also issued my report dated March 7, 2013 on my consideration of the City of Crook's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of my testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.



March 7, 2013



**CITY OF CROOKS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	TOTAL
<b>ASSETS:</b>			
Cash and cash equivalents	\$370,002	\$1,349,756	\$1,719,758
Receivables	16,724	271,517	288,241
Inventory	3,248	23,687	26,935
Restricted Assets:			
Restricted Cash and cash equivalents	30,960	159,163	190,123
Deposits	4,509	0	4,509
Capital assets:			
Land	72,000	177,293	249,293
Other capital assets, net of depreciation	582,408	2,818,658	3,401,066
<b>TOTAL ASSETS</b>	<b>\$1,079,851</b>	<b>\$4,800,074 *</b>	<b>\$5,879,925</b>
 <b>LIABILITIES:</b>			
Accounts payable	\$3,371	\$59,071	\$62,442
Other current liabilities	0	41,900	41,900
Noncurrent liabilities:			
Due within one year	16,432	113,211	129,643
Due in more than one year	180,933	1,825,306	2,006,239
<b>TOTAL LIABILITIES</b>	<b>200,736</b>	<b>2,039,488</b>	<b>2,240,224</b>
 <b>NET POSITION:</b>			
Net Investment in Capital Assets	457,043	1,057,434	1,514,477
Restricted for:			
Debt service	30,960	159,163	190,123
Economic development	4,125	0	4,125
Insurance	4,509	0	4,509
Unrestricted	382,478	1,543,989	1,926,467
<b>TOTAL NET POSITION</b>	<b>879,115</b>	<b>2,760,586</b>	<b>3,639,701</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$1,079,851</b>	<b>\$4,800,074</b>	<b>\$5,879,925</b>

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

**CITY OF CROOKS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	PROGRAM REVENUES	NET
		Charges for Services	Governmental Activities
Governmental Activities:			
General government	\$64,206	\$0	(\$64,206)
Public safety	61,334	346	(60,988)
Public works	77,835	39,663	(38,172)
Health and welfare	827	0	(827)
Culture and recreation	61,803	0	(61,803)
Conservation and development	6,989	0	(6,989)
*Interest on long-term debt	290	0	(290)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>273,284</b>	<b>40,009</b>	<b>(233,275)</b>
Business-type Activities:			
Water	133,028	179,581	0
Sewer	86,952	121,460	0
Gas	499,086	668,191	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>719,066</b>	<b>969,232</b>	<b>0</b>
<b>TOTAL</b>	<b>\$992,350</b>	<b>\$1,009,241</b>	<b>(\$233,275)</b>

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

GENERAL REVENUES:	
Property taxes	183,995
Sales taxes	134,467
State shared revenues	27,475
Unrestricted investment earnings	313
Other general revenues	16,917
<b>Total General Revenues</b>	<b>363,167</b>
Change in Net Position	129,892
Net Position - beginning	749,223
<b>NET POSITION -ending</b>	<b>\$879,115</b>

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

(EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

Business-type Activities	Total
\$0	(\$64,206)
0	(60,988)
0	(38,172)
0	(827)
0	(61,803)
0	(6,989)
0	(290)
0	(233,275)

46,553	46,553
34,508	34,508
169,105	169,105
250,166	250,166

\$250,166	\$16,891
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0	183,995
0	134,467
0	27,475
1,345	1,658
0	16,917

1,345	364,512
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251,511	381,403
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2,509,075	3,258,298
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\$2,760,586	\$3,639,701
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**CITY OF CROOKS**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$366,409	\$3,593	\$370,002
Taxes receivable-			
Delinquent	2,640	0	2,640.00
Due from other governments	13,552	532	14,084.00
Inventory of supplies	3,248	0	3,248.00
Deposits	4,509	0	4,509.00
Restricted cash	30,960	0	30,960.00
<b>TOTAL ASSETS</b>	<b>\$421,318</b>	<b>\$4,125</b>	<b>\$425,443</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$3,371	\$0	\$3,371
Deferred revenue	2,640	0	2,640
<b>Total Liabilities</b>	<b>6,011</b>	<b>0</b>	<b>6,011</b>
<b>FUND BALANCES:</b>			
Nonspendable	7,757	0	7,757
Restricted	30,960	4,125	35,085
Assigned	75,000	0	75,000
Unassigned	301,590	0	301,590
<b>Total Fund Balance</b>	<b>415,307</b>	<b>4,125</b>	<b>419,432</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$421,318</b>	<b>\$4,125</b>	<b>\$425,443</b>

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

**CITY OF CROOKS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

Total Fund Balances-Government Funds	\$419,432
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	654,408
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds	(197,365)
Property taxes receivable are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net position, but in the funds statement the amounts that are not "available" (within a 30 day period) are offset with deferred revenue	<u>2,640</u>
Net Position - Governmental Funds	<u><u>\$879,115</u></u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$182,607	\$0	\$182,607
General sales taxes	119,703	7,855	127,558
Gross receipts tax	6,849	0	6,849
Amusement taxes	60	0	60
Penalties and interest	260	0	260
Licenses and permits	11,032	0	11,032
Intergovernmental Revenue			
State shared revenues	27,475	0	27,475
County shared revenues	1,465	0	1,465
Fines and Forfeits:			
Court fines	16	0	16
Animal control fines	330	0	330
Miscellaneous Revenue			
Interest earned	313	0	313
Rentals	20,525	0	20,525
Street assessments	19,138	0	19,138
Contributions	2,085	0	2,085
Other	2,335	0	2,038
Total Revenue	<u>\$394,193</u>	<u>\$7,855</u>	<u>\$402,048</u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	\$13,028	\$0	\$13,028
Executive	1,605	0	1,605
Elections	220	0	220
Financial administration	30,339	0	30,339
Other	17,922	0	17,922
Public Safety			
Police	38,220	0	38,220
Fire	17,000	0	17,000
Other	4,127	0	4,127
Public Works			
Highways and streets	65,214	0	65,214
Health and Welfare			
Humane society	827	0	827
Culture and Recreation			
Parks	59,479	0	59,479
Auditorium	17,528	0	17,528
Conservation and Development			
Economic Development	0	6,989	6,989
Debt Service	38,216	0	38,216
Total Expenditures	303,725	6,989	310,714
Net Change in Fund Balances	90,468	866	91,334
FUND BALANCE JANUARY 1, 2012	324,839	3,259	328,098
FUND BALANCE, DECEMBER 31, 2012	\$415,307	\$4,125	\$419,432

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

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**CITY OF CROOKS**  
**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, 2012**

Net Changes in Fund Balances-Total Governmental Funds \$91,334

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  
expense exceeded capital outlays in the current period. (496)

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net position. 37,926

Property tax revenues are reported in the period to be financed by  
the property tax levy for both the governmental funds and the  
governmental activities, but in the funds statement, any amounts  
that are not "available" are offset with deferred revenue. 1,128

Change in Net Position of Governmental Activities \$129,892

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

**CITY OF CROOKS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Gas Fund
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$236,726	\$219,503	893,527
Accounts receivable	12,149	9,758	249,610
Inventory of supplies	4,354	3,563	15,770
<b>Total Current Assets</b>	<b>253,229</b>	<b>232,824</b>	<b>1,158,907</b>
<b>Noncurrent Assets:</b>			
Restricted cash and cash equivalents	8,475	0	150,688
<b>Capital Assets:</b>			
Land	2,000	175,293	0
Buildings	13,000	0	0
Improvements other than buildings	1,375,093	705,487	1,743,772
Machinery and equipment	62,469	38,082	26,737
Accumulated Depreciation	(395,050)	(201,403)	(549,529)
<b>Total Noncurrent Assets</b>	<b>1,065,987</b>	<b>717,459</b>	<b>1,371,668</b>
<b>TOTAL ASSETS</b>	<b>\$1,319,216</b>	<b>\$950,283</b>	<b>\$2,530,575</b>

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

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Total

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\$1,349,756  
271,517  
23,687

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1,644,960

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159,163

177,293  
13,000  
3,824,352  
127,288  
(1,145,982)

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3,155,114

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\$4,800,074

**CITY OF CROOKS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Gas Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$4,288	\$210	\$54,573
Customer deposits	6,975	7,025	27,900
Bonds payable current:			
Revenue	8,591	16,801	85,000
Current portion of loan payable	2,819	0	0
<b>Total Current Liabilities</b>	<b>22,673</b>	<b>24,036</b>	<b>167,473</b>
 Non-current Liabilities:			
Bonds payable:			
Revenue	200,925	357,913	1,230,000
Loan payable	36,468	0	0
<b>Total Non-current Liabilities</b>	<b>237,393</b>	<b>357,913</b>	<b>1,230,000</b>
 <b>NET POSITION</b>			
Net investment in capital assets	808,709	342,745	(94,020)
Restricted net position restricted for:			
Revenue bond debt service	8,475	0	150,688
Unrestricted net position	241,966	225,589	1,076,434
<b>Total Net Position</b>	<b>1,059,150</b>	<b>568,334</b>	<b>1,133,102</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$1,319,216</b>	<b>\$950,283</b>	<b>\$2,530,575</b>

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

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Total

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\$59,071  
41,900

110,392  
2,819

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214,182

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1,788,838  
36,468

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1,825,306

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1,057,434

159,163  
1,543,989

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2,760,586

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\$4,800,074

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

	ENTERPRISE FUND		
	Water Fund	Sewer Fund	Gas Fund
OPERATING REVENUES:			
Charges for goods and services	\$179,581	\$121,460	\$668,191
OPERATING EXPENSES:			
Personal services	15,918	17,334	50,900
Other current expense	15,323	26,296	134,666
Cost of goods sold	63,162	0	208,030
Depreciation	28,052	30,662	37,229
Total Operating Expenses	122,455	74,292	430,825
Operating Income (Loss)	57,126	47,168	237,366
Non-operating Revenue (Expense)			
Interest earned	319	242	784
Interest expense	(10,573)	(12,660)	(68,261)
Total Non-operating Revenue (Expense)	(10,254)	(12,418)	(67,477)
Change in Net Position	46,872	34,750	169,889
NET POSITION, BEGINNING	1,012,278	533,584	963,213
NET POSITION, ENDING	\$1,059,150	\$568,334	\$1,133,102

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

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Total

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\$969,232

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84,152

176,285

271,192

95,943

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627,572

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341,660

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1,345

(91,494)

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(90,149)

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251,511

2,509,075

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\$2,760,586

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**CITY OF CROOKS**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Gas Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$180,186	\$121,793	\$496,968
Payments to suppliers	(78,680)	(26,558)	(330,624)
Payments to employees	(15,918)	(17,334)	(50,900)
Net Cash Provided by Operating Activities	85,588	77,901	115,444
Cash Flows from Capital and Related Financing Activities:			
Debt principal paid	(17,633)	(19,266)	(80,000)
Debt interest paid	(10,573)	(12,660)	(68,261)
Cash Flows from Investing Activities:			
Cash received for interest	319	242	784
Net Increase (Decrease) in Cash and Cash Equivalents	57,701	46,217	(32,033)
Cash and Cash Equivalents Beginning of Year	187,500	173,286	1,076,248
Cash and Cash Equivalents End of Year	\$245,201	\$219,503	\$1,044,215
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income	\$57,126	\$47,168	\$237,366
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	28,052	30,662	37,229
Changes in Assets and Liabilities:			
Receivables	605	333	(171,223)
Inventories	(159)	(88)	(2,750)
Accounts and other payables	(36)	(174)	14,822
Net Cash Provided by Operating Activities	\$85,588	\$77,901	\$115,444

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



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Total

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\$798,947

(435,862)

(84,152)

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278,933

(116,899)

(91,494)

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1,345

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71,885

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1,437,034

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\$1,508,919

\$341,660

95,943

(170,285)

(2,997)

---

14,612

---

\$278,933

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**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Crooks 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 departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); 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.

b. Basis of Presentation:

*Government-wide Statements:* The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole (the City). They include all funds of the reporting entity. The statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Business-type activities are financed in whole or in part by fees charged to external parties.

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.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. 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 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.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

Entertainment Tax Funds - to account for the 3<sup>rd</sup> cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the City, land acquisition, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). 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 Financial Accounting Standards Board (FASB) Statements and interpretation issued after November 30, 1989.

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

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

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gas Fund            a fund used to record financial transactions related to gas operations. This fund is financed by user charges. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements.

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

**Measurement Focus:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied 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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities governmental and business-type 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,

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 does not exceed one bill-paying cycle, and for the City of Crooks, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2012 are sales tax, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle 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. 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 CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Statement*

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, 2012 balance of governmental activities capital assets includes approximately 20 percent for which the costs were determined by estimates of the original costs. The total December 31, 2012 balance of business-type capital assets includes 4 percent for which the costs were determined by estimation of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/Balance Sheet.

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	\$ 0	-	-
Buildings	50,000	Straight-line	20-100 years
Improvements	25,000	Straight-line	15-50 years
Machinery and Equipment	5,000	Straight-line	4-20 years

Land, an inexhaustible capital asset, is not depreciated.

e. 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.



**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consist primarily of revenue bonds payable and notes payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle 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.

f. Cash Flows and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. The proprietary 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.

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.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, 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 financing activities or investing activities are not reported as components of operating revenues or expenses.

i. Equity Classifications:

*Government-wide Statements:*

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position - Consists of net position 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.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

*Fund Financial Statements:*

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

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

1. Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

CITY OF CROOKS  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012

	General Fund	Other Governmental Fund	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$ 3,248	\$ -	\$ 3,248
Deposits	4,509	-	4,509
Restricted for:			
Debt service	30,960	-	30,960
Economic development	-	4,125	4,125
Assigned:			
To 2013 budget	75,000	-	75,000
Unassigned	<u>301,590</u>	<u>-</u>	<u>301,590</u>
Total Fund Balances	<u>\$415,307</u>	<u>\$ 4,125</u>	<u>\$419,432</u>

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

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

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

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

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

As of December 31, 2012 the City has no investments as defined above.

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

**Custodial Credit Risk - Investments** - The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

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

3. DEFERRED REVENUE

Receivables, such as taxes receivable, 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 which revenue recognition criteria have not been met.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets for the year ended December 31, 2012 follows:

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
Governmental Activities:				
Capital Assets				
Not being				
Depreciated				
Land	\$ 72,000	\$ -	-	\$ 72,000

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

4. CHANGES IN FIXED ASSETS (continued)

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
Capital Assets				
Being Depreciated				
Buildings	\$ 473,879	\$ -	\$ -	\$ 473,879
Improvements	122,670	29,009	-	151,679
Equipment	286,537	8,603	-	295,140
Totals	<u>883,086</u>	<u>37,612</u>	<u>-</u>	<u>920,698</u>
Less accumulated				
Depreciation for:				
Building	83,263	10,137	-	93,400
Improvements	62,910	5,532	-	68,442
Equipment	154,009	22,439	-	176,448
Total	<u>\$ 300,182</u>	<u>\$ 38,108</u>	<u>\$ -</u>	<u>\$ 338,290</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>\$ 582,904</u>	<u>\$ (496)</u>	<u>\$ -</u>	<u>\$ 582,408</u>
Governmental Activity				
Capital Assets				
Net	<u>\$ 654,904</u>	<u>\$ (496)</u>	<u>\$ -</u>	<u>\$ 654,408</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 1,092
Public Safety	1,987
Public Works	12,621
Culture and Recreation	22,408
	<u>\$ 38,108</u>

Business-type Activities:

Capital Assets				
Not being				
Depreciated				
Land	<u>\$ 177,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,293</u>
Capital Assets				
Being Depreciated				
Buildings	13,000	-	-	13,000
Improvements	3,824,352	-	-	3,824,352
Equipment	127,288	-	-	127,288
Totals	<u>3,964,640</u>	<u>-</u>	<u>-</u>	<u>3,964,640</u>

CITY OF CROOKS  
NOTES TO FINANCIAL STATEMENTS

4. CHANGES IN FIXED ASSETS (continued)

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
Less accumulated				
Depreciation for:				
Building	\$ 12,800	\$ 200	\$ -	\$ 13,000
Improvements	935,240	89,391	-	1,024,631
Equipment	<u>101,999</u>	<u>6,352</u>	<u>-</u>	<u>108,351</u>
Total	<u>1,050,039</u>	<u>\$ 95,943</u>	<u>\$ -</u>	<u>\$1,145,982</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>\$ 2,914,601</u>	<u>\$ (95,943)</u>	<u>\$ -</u>	<u>\$2,818,658</u>
Business-type Activity				
Capital Assets				
Net	<u>\$3,091,894</u>	<u>\$ (95,843)</u>	<u>\$ -</u>	<u>\$2,995,951</u>

Depreciation expense was charged to functions as follows:

Water	\$ 28,052
Sewer	30,662
Gas	<u>37,229</u>
	<u>\$ 95,943</u>

5. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Revenue</u>
Governmental Activities:	
Debt Payable,	
January 1, 2012	\$ 235,291
Retired	<u>(37,926)</u>



**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT (continued)

Debt payable,  
 December 31, 2012 \$ 197,365

Due within  
 One Year \$ 16,432

	<u>Revenue</u>	<u>Other</u>	<u>Total</u>
Business-type Activities:			
Debt Payable, January 1, 2012	\$2,013,412	\$42,004	\$2,055,416
Retired	<u>(114,182)</u>	<u>(2,717)</u>	<u>(116,899)</u>
Debt payable, December 31, 2012	<u>\$1,899,230</u>	<u>\$39,287</u>	<u>\$1,938,517</u>
Due within One Year	<u>\$ 110,392</u>	<u>\$ 2,819</u>	<u>\$ 113,211</u>

Debt payable at December 31, 2012 is comprised of the following:

Governmental Activities:

Sales Tax Revenue Bonds - Series 2002  
 Interest rate of 5.0%, maturing October  
 2033. Retired by the General Fund \$ 163,550

Sales Tax Revenue Bonds - Series 2006  
 Interest rate of 4.25%, maturing  
 November, 2021. Payment is made by  
 the General Fund 24,965

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT (continued)

Sales Tax Revenue Bonds - Series 2006  
Interest rate of 4.37%, maturing  
November, 2023. Payment is made by the  
General Fund

\$ 8,850

TOTAL GOVERNMENTAL ACTIVITIES DEBT

\$ 197,365

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds:

Series 2004 Gas Utility Revenue  
Refunding Bonds. Interest rates of  
1.9% to 5.5% (depending on length to  
maturity of individual bonds),  
maturing annually to April 1, 2024,  
repaid by the Gas Utility Fund. The  
proceeds of this issue were used to  
to call and pay off the 1998 Gas  
Utility Revenue Bonds

\$1,315,000

Series 1999RD Water Utility Revenue  
Bonds. Interest rate of 5.0%,  
maturing August, 2039, repaid by  
the Water Fund

111,650

Series 2005 "State Revolving Fund" loan  
(Drinking Water #1). Due in quarterly  
installments of \$2,518.33, including  
3.25% interest, maturing July 15, 2025,  
repaid by the Water Fund.

\$ 97,866

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT (continued)

Series 2008, "State Revolving Fund" loan  
(Clean Water #1). 3.25% interest, maturing  
2028, repaid by the Sewer Fund 374,714

Total Revenue Bonds 1,899,230

Other Debt:

Loan payable to Minnehaha County  
Rural Water, due in quarterly  
payments of \$1,044, including 3.5%  
interest, to April 15, 2024, repaid  
by the Water Fund 39,287

TOTAL BUSINESS-TYPE ACTIVITY DEBT \$1,938,517

The annual requirements to amortize all debt outstanding as  
of December 31, 2012:

Annual Requirements to Amortize Long-term Debt  
December 31, 2012

Governmental Activities:

Year Ending December 31,	Revenue		Total
	Principal	Interest	
2013	\$ 16,432	\$ 9,694	\$ 26,126
2014	7,943	8,593	16,536
2015	8,322	8,214	16,536
2016	8,719	7,817	16,536
2017	9,135	7,401	16,536
2018-2022	46,751	32,305	79,056
2023-2027	45,386	19,174	64,560
2028-2032	<u>54,677</u>	<u>9,833</u>	<u>64,510</u>
Total	<u>\$ 197,365</u>	<u>\$103,031</u>	<u>\$ 300,396</u>

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT (continued)

Business-type Activities:

Year Ending December 31,	Revenue		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 110,392	\$ 84,909	\$ 2,819	\$ 1,357	\$ 113,211	\$ 86,266
2014	116,268	80,291	2,920	1,255	119,188	81,546
2015	117,177	75,399	3,025	1,150	120,202	76,549
2016	123,118	70,202	3,131	1,045	126,249	71,247
2017	129,326	64,360	3,247	929	132,573	65,289
2018-2022	742,346	224,517	18,070	2,809	760,416	227,326
2023-2027	439,123	63,190	6,075	190	445,198	63,380
2028-2032	76,504	23,419	-	-	76,504	23,419
2033-2037	33,700	8,670	-	-	33,700	8,670
2038-2042	11,276	3,014	-	-	11,276	3,014
TOTAL	<u>\$1,899,230</u>	<u>\$ 697,971</u>	<u>\$39,287</u>	<u>\$ 8,735</u>	<u>\$1,938,517</u>	<u>\$ 706,706</u>

6. 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.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2012 the City managed its risk as follows:

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

7. RISK MANAGEMENT (continued)

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

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

Liability:

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

7. RISK MANAGEMENT (continued)

the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. A City would be eligible to receive a refund of this under certain conditions. As of December 31, 2012, the City had a vested balance of \$4,509 in the reserve fund. The City carries a \$250 deductible for the automobile coverage and \$1,000 deductible for the general liability.

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2012 no claims were filed or paid for unemployment, or are any anticipated as of December 31, 2012.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLAN**

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

General employees are required by the State statute to contribute 6% of their salary to the Plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for fiscal year ended December 31, 2012, 2011 and 2010 were \$4,822, \$4,779 and \$4,681, respectively, equal to the required contribution.

**9. INVENTORY**

Inventory in the General Fund and Enterprise Funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

*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.

**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

9. INVENTORY (continued)

*Fund Financial Statements:*

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories of the General Fund are off-set by a fund balance "non-spendable" classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. RESTRICTED NET POSITION:

The following restrictions are reported in the statements:

<u>Purpose</u>	<u>Restricted by</u>	<u>Amount</u>
Debt Service	Loan agreements	\$190,123
Deposit for insurance	Insurance company	<u>4,509</u>
		<u>\$194,632</u>

11. PLEDGED REVENUES

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$209,516 in water system revenue bonds issued in 1999 and 2005. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$346,370. Principal and interest paid for the current year and total customer net revenue were \$28,206 and \$85,178 respectively.

The City has also pledged future gas customers' revenues, net of specified operating expenses to repay \$1,315,000 in gas system revenue bonds issued in 2004. Proceeds from the bonds refunded a 1998 Series that provided financing for the construction of gas pipeline improvements.



**CITY OF CROOKS**  
**NOTES TO FINANCIAL STATEMENTS**

11. PLEDGED REVENUES (continued)

The bonds are payable solely from gas customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bond is \$1,761,636. Principal and interest paid for the current year and total customer net revenues were \$148,261 and \$274,595, respectively.

The City has also pledged future sanitary sewer customers' revenues, net of specified operating expenses, to repay \$374,714 in sanitary sewer system revenue bonds issued in 1972 and 2008. Proceeds from the bonds provided financing for the construction of sanitary sewer system improvements including a new lagoon.

The bonds are payable solely from sanitary sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 80% of net revenues. The total principal and interest remaining to be paid on the bonds is \$489,195. Principal and interest paid for the current year and total customer net revenues were \$31,926 and \$77,830, respectively.

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

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$184,259	\$184,259	\$182,607
General sales and use taxes	110,700	110,700	119,703
Gross receipts tax	10,000	10,000	6,849
Amusement tax	168	168	60
Penalties and interest	0	0	260
Licenses and Permits	11,000	11,000	11,032
Intergovernmental Revenue			
State shared revenue	18,500	18,500	27,475
County shared revenues	10,100	10,100	1,465
Fines and Forfeits			
Court fines	0	0	16
Animal control fines	0	0	330
Miscellaneous Revenue			
Investment earnings	5,000	5,000	313
Rentals	0	0	20,525
Contributions	0	0	2,085
Street assessments	19,297	19,297	19,138
Other	16,800	16,800	2,335
Total Revenue	\$385,824	\$385,824	\$394,193

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

Variance with  
Final Budget-  
Positive  
(Negative)

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(\$1,652)

9,003

(3,151)

(108)

260

32

8,975

(8,635)

16

330

(4,687)

20,525

2,085

(159)

(14,465)

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\$8,369

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

	Budgeted Amounts		Actual Amount
	Original	Final	
EXPENDITURES:			
General Government			
Legislative	\$16,400	\$16,400	\$13,028
Executive	3,000	3,000	1,605
Elections	1,500	1,500	220
Financial administration	31,000	31,000	30,339
Other	25,048	29,048	17,922
Public Safety			
Police	38,220	38,220	38,220
Fire	20,000	20,000	17,000
Other	6,000	6,000	4,127
Public Works			
Highways and streets	141,797	141,797	65,214
Health and Welfare			
Humane society	1,500	1,500	827
Culture and Recreation			
Parks	50,000	66,000	59,479
Auditorium	20,000	20,000	17,528
Debt Service	40,568	40,568	38,216
Total Expenditures	\$395,033	\$415,033	\$303,725
Net Change in Fund Balances	(9,209)	(29,209)	90,468
FUND BALANCE-Beginning	324,839	324,839	324,839
FUND BALANCE-Ending	\$315,630	\$295,630	\$415,307

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

Variance with  
Final Budget-  
Positive  
(Negative)

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\$3,372

1,395

1,280

661

11,126

0

3,000

1,873

76,583

673

6,521

2,472

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2,352

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\$111,308

119,677

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0

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\$119,677

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**CITY OF CROOKS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting practices (GAAP).

**CITY OF CROOKS**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2012-01:

**CONDITION FOUND:**

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

**CRITERIA:**

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

**CAUSE AND EFFECT:**

The size of the staff hired for the finance department precludes an adequate segregation of duties, resulting in a weakness in internal control.

**RECOMMENDATION:**

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

**CITY RESPONSE:**

The City of Crook's management agrees with the finding, but does not consider it to be cost effective to hire additional staff to segregate duties. The Mayor and Council Members will maintain close supervision of financial transactions in an effort to mitigate this weakness.

**CITY OF CROOKS  
SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER 2011-01 and 2010-01:

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

This finding was first reported in 1998.

CURRENT STATUS:

The condition remains the same as of December 31, 2012.