

**MUNICIPALITY OF DEADWOOD**

**AUDIT REPORT**

**For the Year Ended December 31, 2008**

**MUNICIPALITY OF DEADWOOD  
MUNICIPAL OFFICIALS  
December 31, 2008**

**Municipal Commission Members:**

**Francis Toscana, Mayor  
Joe Peterson  
Lenny Schroder  
Georgeann Silvernail  
Mike Klamm**

**Municipal Finance Officer:**

**Mary Jo Nelson**

**Municipal Attorney:**

**Jason Campbell**

MUNICIPALITY OF DEADWOOD  
TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	1
Schedule of Prior Audit Findings .....	3
Schedule of Current Audit Findings.....	3
Independent Auditor's Report .....	4
<i>Management's Discussion and Analysis (MD&amp;A)</i> .....	6
 <i>Basic Financial Statements</i>	
<b><u>Government-wide Financial Statements:</u></b>	
As of December 31, 2008:	
Statement of Net Assets .....	12
For the Year Ended December 31, 2008:	
Statement of Activities .....	13
 <b><u>Fund Financial Statements:</u></b>	
<b><u>Governmental Funds</u></b>	
As of December 31, 2008:	
Balance Sheet .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	15
For the Year Ended December 31, 2008:	
Statement of Revenues, Expenditures and Changes in Fund Balances.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	19
 <b><u>Proprietary Funds</u></b>	
As of December 31, 2008:	
Balance Sheet .....	20
For the Year Ended December 31, 2008:	
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	21
Statement of Cash Flows.....	22

Fiduciary Funds

As of December 31, 2008:

Statement of Fiduciary Net Assets.....	23
Notes to the Financial Statements.....	24

*Required Supplementary Information Other than MD&A:*

For the Year Ended December 31, 2008:

Budgetary Comparison Schedule--General Fund.....	42
Budgetary Comparison Schedule--Historic Restoration and Preservation Fund.....	44
Budgetary Comparison Schedule--Revolving Loan Fund.....	45
Notes to the Required Supplementary Information.....	46



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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*

Governing Board  
Municipality of Deadwood  
Deadwood, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Deadwood, South Dakota (Municipality), as of December 31, 2008, and for the year then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 7, 2009.

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 Municipality's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Municipality in a separate communication dated October 7, 2009.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Municipality of Deadwood, South Dakota 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 matter of public record and its distribution is not limited.



Martin L. Guindon, CPA  
Auditor General

October 7, 2009

MUNICIPALITY OF DEADWOOD  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

The prior audit report contained no written audit findings.

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Current Audit Findings:**

There are no written current audit findings to report.



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Deadwood  
Deadwood, South Dakota

We 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 Municipality of Deadwood, South Dakota, (Municipality) as of December 31, 2008, and for the year then ended, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our 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 Municipality of Deadwood, South Dakota as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2009 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 6 through 11, and 42 through 45 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.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized and cursive, with a large loop at the end.

Martin L. Guindon, CPA  
Auditor General

October 7, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Municipality of Deadwood's financial report presents our discussion and analysis of the Municipality's financial performance during the fiscal year ended on December 31, 2008. Please read it in conjunction with the Municipality's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Municipality's assets exceeded its liabilities by \$42,788,849.52 (Net Assets) in governmental funds as of the close of the year ending 2008. This is an increase of \$5,183,048.17 from 2007.
- As of the close of the fiscal year 2008, the Municipality of Deadwood's fund balance for the General Fund was \$4,306,851.16, an increase of \$533,183.22 from the prior fiscal year end. The biggest revenue source, sales tax revenue, was 15% over budget. The Municipal Commission also designated \$415,090 for Rec Center Improvements and \$152,000 for fire truck replacement from the General Fund in 2008. Total revenue in the General Fund was 14% over budget, and expenses were also approximately 6% under budgeted amounts.
- As of December 31, 2008, the Municipality of Deadwood's other governmental funds reported combined fund balances of \$3,015,856.09, a decrease of \$261,249.93, from December 31, 2007. In other governmental funds, the Municipal Commission designated \$363,000 for Business Improvement District Parking Improvements and \$275,000 for Rec Center Improvements.
- Historic Preservation Fund net assets were virtually unchanged from 2007, with a net asset balance of \$36,327,307.15. Net assets in this fund are restricted for debt service for \$3,813,419.05 and historic preservation for \$10,229,954.56. Also, \$10,086,291 in net assets is held in escrow for an advance crossover bond refund, which is to be paid in 2009.
- The Municipality's outstanding historic preservation debt decreased by \$1,340,000 due to principal payments made from the Historic Preservation fund. Additional debt was incurred for lease of a street sweeper in other governmental funds for \$212,790. The Municipality of Deadwood also applied an additional \$265,000 towards principal in the Sales Tax Bond.
- The Municipality's only outstanding debt in business-type activities is for the Parking Ramp Revenue Bonds which decreased by \$250,000 in 2008.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality of Deadwood:

**Government-Wide Financial Statements.** The first two statements are government-wide financial statements that are designed to provide readers with a broad overview of the Municipality's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the municipality's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Municipality of Deadwood is improving or deteriorating. The statement of activities presents information indicating how the municipality's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the municipality can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Municipality's near term financial decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Municipality of Deadwood maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and two special revenue funds, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single presentation called "Other Governmental Funds."

The Municipality of Deadwood adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

**Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. Services for which the Municipality charges customers a fee are generally reported in these funds. The Municipality of Deadwood has five proprietary funds – Water, Sewer, Mt. Moriah Cemetery, Parking Meter, and Parking Ramp Funds.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Municipality.

**Notes to statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-Wide Financial Analysis**

### **Net Assets**

The Statement of Net Assets reports all financial and capital resources. Over time, net assets may serve as a useful indicator of a government's financial position. 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 municipality, consisting of compensated absences payable, street sweeper lease payable, sales tax revenue bonds payable and historic preservation certificates of participation, have been reported in this manner on the Statement of Net Assets. The difference between the municipality's assets and liabilities is its net assets. The net assets for governmental and business-type funds at the close of 2008 are \$58,603,235.63, which is an increase of \$5,191,404.19 from 2007.

## Municipality of Deadwood's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 51,395,199.34	\$ 51,891,479.44	\$ 2,810,739.47	\$ 3,134,408.79	\$ 54,205,938.81	\$ 55,025,888.23
Capital Assets	25,430,681.27	28,746,315.11	16,843,882.96	16,348,254.32	42,274,564.23	45,094,569.43
<b>Total Assets</b>	<b>76,825,880.61</b>	<b>80,637,794.55</b>	<b>19,654,622.43</b>	<b>19,482,663.11</b>	<b>96,480,503.04</b>	<b>100,120,457.66</b>
Long-Term Liabilities	37,318,152.55	25,781,905.10	3,360,100.99	3,132,577.04	40,678,253.54	28,914,482.14
Other Liabilities	1,901,926.71	12,067,039.93	488,491.35	535,699.96	2,390,418.06	12,602,739.89
<b>Total Liabilities</b>	<b>39,220,079.26</b>	<b>37,848,945.03</b>	<b>3,848,592.34</b>	<b>3,668,277.00</b>	<b>43,068,671.60</b>	<b>41,517,222.03</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	14,280,204.03	17,444,929.33	13,172,795.49	12,908,507.47	27,452,999.52	30,353,436.80
Restricted	21,504,591.56	22,204,625.85	726,149.53	763,978.57	22,230,741.09	22,968,604.42
Unrestricted	1,821,005.76	3,139,294.34	1,907,085.07	2,141,900.07	3,728,090.83	5,281,194.41
<b>Total Net Assets</b>	<b>\$ 37,605,801.35</b>	<b>\$ 42,788,849.52</b>	<b>\$ 15,806,030.09</b>	<b>\$ 15,814,386.11</b>	<b>\$ 53,411,831.44</b>	<b>\$ 58,603,235.63</b>
<b>Beginning Net Assets</b>	<b>35,118,473.50</b>	<b>37,605,801.35</b>	<b>15,603,567.25</b>	<b>15,806,030.09</b>	<b>50,722,040.75</b>	<b>53,411,831.44</b>
<b>Increase (Decrease) in Net Assets</b>	<b>2,487,327.85</b>	<b>4,704,206.58</b>	<b>202,462.84</b>	<b>8,356.02</b>	<b>2,689,790.69</b>	<b>4,712,562.60</b>
<b>Prior Period Adjustment for Capital Assets</b>		<b>478,841.59</b>				<b>478,841.59</b>
<b>Percentage of Increase (Decrease) in Net Assets</b>	<b>7%</b>	<b>13%</b>	<b>1%</b>	<b>Less than 1%</b>	<b>5.3%</b>	<b>10%</b>

From December 31, 2007 to December 31, 2008, the Municipality of Deadwood's total net assets changed by \$4,704,206.58 in governmental activities (before prior period adjustments). Business-type activities net assets increased by \$8,356.02.

### Changes in Net Assets

The Municipality's total revenues are \$17,035,019.01, an increase of 3% from 2007. (See table below) Almost half of the Municipality's revenue comes from State/County Shared Revenue, mostly for the Municipality's historic preservation funds in the amount of \$7,187,793.81. The second highest source of revenue is derived from sales tax revenue in the amount of \$2,540,387.10. The third highest source of revenue comes from investment earnings, in the amount of \$1,933,756.68.

The largest departmental expenditure in 2008 is \$3,029,124.11 in the area of culture and recreation. These dollars are used for historic preservation efforts in Deadwood. The next highest expenditure is interest paid on long-term debt of \$2,108,081.10, which in large part is attached to debt for major infrastructure upgrades and historic preservation projects. Public Works expenditures are the third highest expenditure, which is \$1,562,368.09.

Additional information is available from the table below.

Municipality of Deadwood's Changes in Net Assets

	Total Governmental		Total Business-Type		Total	
	2007	2008	2007	2008	2007	2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 301,776.33	\$ 359,607.94	\$ 1,821,233.72	\$ 1,795,254.08	\$ 2,123,010.05	\$ 2,154,862.02
Operating Grants and Contributions	125,497.47	141,684.90			125,497.47	141,684.90
Capital Grants and Contributions	39,415.38	1,079,377.55	84,758.40	95,192.80	124,173.78	1,174,570.35
General Revenues:						
Property Taxes	939,112.83	796,963.59			939,112.83	796,963.59
Sales Taxes	2,249,132.56	2,540,387.10			2,249,132.56	2,540,387.10
Business Occupation Tax	1,133,766.42	1,033,417.36			1,133,766.42	1,033,417.36
State/County Shared Revenue	7,167,846.16	7,187,793.81			7,167,846.16	7,187,793.81
Unrestricted Investment Earnings	2,552,576.59	1,832,802.06	86,140.95	100,954.62	2,638,717.54	1,933,756.68
Miscellaneous Revenue	40,429.44	47,983.20	35,964.21	23,600.00	76,393.65	71,583.20
<b>Total Revenues</b>	<b>14,549,553.18</b>	<b>15,020,017.51</b>	<b>2,028,097.28</b>	<b>2,015,001.50</b>	<b>16,577,650.46</b>	<b>17,035,019.01</b>
<b>Expenses</b>						
General Government	2,261,426.35	1,156,881.33			2,261,426.35	1,156,881.33
Public Safety	936,414.67	1,046,955.49			936,414.67	1,046,955.49
Public Works	1,386,430.16	1,562,368.09			1,386,430.16	1,562,368.09
Health and Welfare	4,634.10	4,704.09			4,634.10	4,704.09
Culture and Recreation	3,590,789.98	3,029,124.11			3,590,789.98	3,029,124.11
Conservation and Development	1,233,613.77	1,129,882.72			1,233,613.77	1,129,882.72
Interest on Long-Term Debt	2,348,102.30	2,108,081.10			2,348,102.30	2,108,081.10
Water			718,491.89	709,385.54	718,491.89	709,385.54
Sewer			65,237.82	66,795.30	65,237.82	66,795.30
Mt. Moriah			122,275.05	84,701.92	122,275.05	84,701.92
Parking/Transportation			601,030.48	689,063.04	601,030.48	689,063.04
Parking Ramp			619,413.20	734,513.68	619,413.20	734,513.68
<b>Total Expenses</b>	<b>11,761,411.33</b>	<b>10,037,996.93</b>	<b>2,126,448.44</b>	<b>2,284,459.48</b>	<b>13,887,659.77</b>	<b>12,322,456.41</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,788,141.85</b>	<b>4,982,020.58</b>	<b>(98,351.16)</b>	<b>(269,457.98)</b>	<b>2,689,790.69</b>	<b>4,712,562.60</b>
<b>Transfers</b>	<b>(300,814.00)</b>	<b>(277,814.00)</b>	<b>300,814.00</b>	<b>277,814.00</b>		
<b>Increase (Decrease) in Net Assets</b>	<b>2,487,327.85</b>	<b>4,704,206.58</b>	<b>202,462.84</b>	<b>8,356.02</b>	<b>2,689,790.69</b>	<b>4,712,562.60</b>
<b>Adjustments</b>		<b>478,841.59</b>				<b>478,841.59</b>
<b>Ending Net Assets</b>	<b>\$ 37,605,801.35</b>	<b>\$ 42,788,849.52</b>	<b>\$ 15,806,030.09</b>	<b>\$ 15,814,386.11</b>	<b>\$ 53,411,831.44</b>	<b>\$ 58,603,235.63</b>

**Financial Analysis of the Municipality's Funds**

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality of Deadwood maintains three individual major governmental funds. Separate fund information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and two special revenue funds. All are considered major funds. In addition, information from seventeen governmental funds are combined into a single presentation in both the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**General Fund Budgetary Highlights**

Over the course of the year, the Municipal Commission passed two supplemental budget ordinances for \$2,638,079.56. These amendments fall into two categories:

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

## Capital Asset and Debt Administration

### CAPITAL ASSETS

By December 31, 2008, the Municipality of Deadwood had invested \$28,746,315.11 in capital assets from governmental activities including land, buildings, machinery and equipment, and infrastructure, as the table below indicates. The business-type activities had \$16,348,254.32 in investments of capital assets as of year end. Some of this year's major capital asset additions included:

- Acquired land surrounding Seth Bullock Gravesite \$ 300,173.00
- Fire Truck \$ 346,054.00
- Street Sweeper \$ 212,790.00
- Trolley \$ 118,991.00

Municipality of Deadwood's Capital Assets  
(Net of Depreciation)  
For Year Ended December 31, 2008

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percent Change
	2007	2008	2007	2008	2007 to 2008	2007 to 2008
Land	\$ 1,411,686.08	\$ 1,711,859.08	\$ 229,865.21	\$ 229,865.21	\$ 300,173.00	19%
Buildings and Structures	9,089,296.21	9,506,125.25	118,861.23	118,055.79	416,023.60	5%
Improvements Other Than Buildings	12,282,476.65	11,833,682.01	16,132,249.55	15,629,087.06	(951,957.13)	(4%)
Machinery and Equipment	2,312,939.94	2,671,854.62	362,906.97	371,246.26	367,253.97	5%
Construction Work in Progress	334,282.39	3,022,794.15			2,688,511.76	805%
<b>Total</b>	<b>\$ 25,430,681.27</b>	<b>\$ 28,746,315.11</b>	<b>\$ 16,843,882.96</b>	<b>\$ 16,348,254.32</b>	<b>\$ 2,820,005.20</b>	<b>7%</b>

### DEBT ADMINISTRATION

The only additional debt in 2008 was for a street sweeper lease for \$212,790. Principal payments of \$1,645,061 were made in governmental activities, and the Municipality retired \$250,000 in business-type activities debt. Additional information can be found on the table below:

Municipality of Deadwood  
Outstanding Debt  
For the Year Ended December 31, 2008

	Governmental Activities		Business-Type Activities		Total Dollar Change
	2007	2008	2007	2008	2007 to 2008
Compensated Absences	\$ 103,498	\$ 125,902	\$ 20,098	\$ 23,915	\$ 26,221
2002 Sales Tax Revenue Bonds	1,095,000	830,000			(265,000)
Street Sweeper Lease		172,729			172,729
2005 Parking Ramp Revenue Bonds			3,895,000	3,645,000	(250,000)
Certificates of Participation					
Series 1999	7,250,000	6,405,000			(845,000)
Series 2000	10,000,000	10,000,000			0
Series 2003	8,050,000	7,555,000			(495,000)
Series 2004	1,785,000	1,785,000			0
Series 2005	5,965,000	5,965,000			0
Series 2006	4,730,000	4,730,000			0
<b>TOTAL OUTSTANDING DEBT AND OBLIGATIONS</b>	<b>\$ 38,978,498</b>	<b>\$ 37,568,631</b>	<b>\$ 3,915,098</b>	<b>\$ 3,668,915</b>	<b>\$ (1,656,050)</b>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Municipality of Deadwood experienced an increase in total assessed valuation of property from \$158,420,239 in 2007 to \$170,809,951 in 2008. This is an increase of 7.8%. The mil levy decreased to \$4.60 per thousand, and collections will increase by \$28,447 over 2008. Under the state mandated property tax freeze, property taxes from one year to the next may increase by 3% or an amount based on the Consumer Price Index, whichever is lower.

The Municipality's adopted General Fund budget in September 2008 for 2009 will decrease by .4%. In 2008 the general fund budget was \$4,159,294, and in 2009 it decreased to \$4,131,960, excluding budget supplements.

The Municipality of Deadwood's total original budget ordinance from both governmental and business-type activities was \$22,930,460 in 2008. The adopted budget for 2009 for operation and debt service totaled \$15,470,079, a decrease of 33%. This decrease is largely due to reduction in capital projects budgeted including the Deadwood Rec Center Renovation.

From January, 2007 to January, 2008, the average labor force in Lawrence County has increased slightly from 13,400 to 13,545. Unemployment has also increased for the same time period from 2.6% to 2.8%.

Two primary sources of revenue to the Municipality of Deadwood are based on sales tax income and gaming revenue. The Municipality has experienced a 13% increase in sales tax revenue from \$2,249,132 in 2007 to \$2,540,387.10. Gaming revenue is capped at \$6.8 million per state statute then, based on an alternate formula, an additional 10% of proceeds from the Gaming Commission fund is allocated back to Deadwood. In 2008, gaming revenue to Deadwood was up less than 1%, from \$7,167,846 in 2007 to \$7,187,794.

## **CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Municipality's finances. Questions concerning any of the information provided in this report should be addressed to the Municipality of Deadwood, Finance Officer, 102 Sherman Street, Deadwood, South Dakota 57732.

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF NET ASSETS**  
December 31, 2008

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,285,375.26	\$ 670,465.20	\$ 1,955,840.46
Investments	31,222,072.32	1,573,179.40	32,795,251.72
Accounts Receivable, Net	5,444,748.38	59,575.62	5,504,324.00
Restricted Assets:			
Investments	13,813,372.93	763,978.57	14,577,351.50
Deposit	125,910.55		125,910.55
Unamortized Deferred Charges-Issuance		67,210.00	67,210.00
Capital Assets:			
Land and Construction in Progress	4,734,653.23	229,865.21	4,964,518.44
Other Capital Assets, Net of Depreciation	24,011,661.88	16,118,389.11	40,130,050.99
<b>TOTAL ASSETS</b>	<b>\$ 80,637,794.55</b>	<b>\$ 19,482,663.11</b>	<b>\$ 100,120,457.66</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 188,279.83	\$ 34,001.28	\$ 222,281.11
Other Current Liabilities	92,034.50	170,613.59	262,648.09
Noncurrent Liabilities:			
Due Within One Year	11,786,725.60	331,085.09	12,117,810.69
Due in More than One Year	25,781,905.10	3,132,577.04	28,914,482.14
<b>TOTAL LIABILITIES</b>	<b>37,848,945.03</b>	<b>3,668,277.00</b>	<b>41,517,222.03</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	17,444,929.33	12,908,507.47	30,353,436.80
Restricted for:			
Historic Preservation Purposes	10,229,954.56		10,229,954.56
Revolving Loan Purposes	7,947,822.87		7,947,822.87
Debt Service Purposes	3,813,419.05	763,978.57	4,577,397.62
Permanently Restricted Purposes-Unexpendable	50,000.00		50,000.00
Permanently Restricted Purposes-Expendable	37,518.82		37,518.82
Insurance Purposes	125,910.55		125,910.55
Unrestricted	3,139,294.34	2,141,900.07	5,281,194.41
<b>TOTAL NET ASSETS</b>	<b>42,788,849.52</b>	<b>15,814,386.11</b>	<b>58,603,235.63</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 80,637,794.55</b>	<b>\$ 19,482,663.11</b>	<b>\$ 100,120,457.66</b>

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

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 1,156,881.33	\$ 113,509.60	\$	\$ 1,070,273.61	\$ 26,901.88	\$	\$ 26,901.88
Public Safety	1,046,955.49	104,031.76	14,998.31		(927,925.42)		(927,925.42)
Public Works	1,562,368.09	112,250.82	39,256.59	9,103.94	(1,401,756.74)		(1,401,756.74)
Health and Welfare	4,704.09				(4,704.09)		(4,704.09)
Culture and Recreation	3,029,124.11	21,205.76	87,430.00		(2,920,488.35)		(2,920,488.35)
Conservation and Development	1,129,882.72	8,610.00			(1,121,272.72)		(1,121,272.72)
*Interest on Long-term Debt	2,108,081.10				(2,108,081.10)		(2,108,081.10)
<b>Total Governmental Activities</b>	<b>10,037,996.93</b>	<b>359,607.94</b>	<b>141,684.90</b>	<b>1,079,377.55</b>	<b>(8,457,326.54)</b>	<b>0.00</b>	<b>(8,457,326.54)</b>
Business-type Activities:							
Water	709,385.54	483,742.99				(225,642.55)	(225,642.55)
Sewer	66,795.30					(66,795.30)	(66,795.30)
Mt. Moriah	84,701.92	98,512.47				13,810.55	13,810.55
Parking Meter	689,063.04	509,832.73		95,192.80		(84,037.51)	(84,037.51)
Parking Ramp	734,513.68	703,165.89				(31,347.79)	(31,347.79)
<b>Total Business-type Activities</b>	<b>2,284,459.48</b>	<b>1,795,254.08</b>	<b>0.00</b>	<b>95,192.80</b>	<b>0.00</b>	<b>(394,012.60)</b>	<b>(394,012.60)</b>
<b>Total Primary Government</b>	<b>\$ 12,322,456.41</b>	<b>\$ 2,154,862.02</b>	<b>\$ 141,684.90</b>	<b>\$ 1,174,570.35</b>	<b>(8,457,326.54)</b>	<b>(394,012.60)</b>	<b>(8,851,339.14)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					796,963.59		796,963.59
Sales Taxes					2,540,387.10		2,540,387.10
Business Occupation Tax					1,033,417.36		1,033,417.36
State Shared Revenues					7,187,793.81		7,187,793.81
Unrestricted Investment Earnings					1,832,802.06	100,954.62	1,933,756.68
Miscellaneous Revenue					47,983.20	23,600.00	71,583.20
Transfers					(277,814.00)	277,814.00	0.00
<b>Total General Revenues and Transfers</b>					<b>13,161,533.12</b>	<b>402,368.62</b>	<b>13,563,901.74</b>
Change in Net Assets					4,704,206.58	8,356.02	4,712,562.60
Net Assets - Beginning					37,605,801.35	15,806,030.09	53,411,831.44
Adjustments:							
Adjustment for Land and Library Books (See Note 12)					478,841.59		478,841.59
Adjusted Net Assets - Beginning					<b>38,084,642.94</b>	<b>15,806,030.09</b>	<b>53,890,673.03</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 42,788,849.52</b>	<b>\$ 15,814,386.11</b>	<b>\$ 58,603,235.63</b>

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

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

**MUNICIPALITY OF DEADWOOD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2008**

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 289,662.26	\$	\$ 307,983.42	\$ 687,729.58	\$ 1,285,375.26
Investments	3,093,177.24	23,566,171.66	2,450,172.63	2,112,550.79	31,222,072.32
Taxes Receivable--Delinquent	13,327.84				13,327.84
Accounts Receivable, Net	37,846.28			683.00	38,529.28
Special Assessments Receivable--Current				22,926.44	22,926.44
Notes Receivable			5,054,369.23		5,054,369.23
Due from Other Funds	765,702.60				765,702.60
Due from State Governments	137,905.71	17,615.83		24,776.46	180,298.00
Interest and Late Fees Receivable			135,297.59		135,297.59
Restricted Investments		13,544,389.67		268,983.26	13,813,372.93
Deposits	125,910.55				125,910.55
<b>TOTAL ASSETS</b>	<b>\$ 4,463,532.48</b>	<b>\$ 37,128,177.16</b>	<b>\$ 7,947,822.87</b>	<b>\$ 3,117,649.53</b>	<b>\$ 52,657,182.04</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 68,423.99	\$ 27,294.31	\$	\$ 92,561.53	\$ 188,279.83
Due to Other Funds		765,702.60			765,702.60
Accrued Wages Payable	74,929.49	7,873.10		9,231.91	92,034.50
Deferred Revenue	13,327.84				13,327.84
<b>Total Liabilities</b>	<b>156,681.32</b>	<b>800,870.01</b>	<b>0.00</b>	<b>101,793.44</b>	<b>1,059,344.77</b>
<b>Fund Balances:</b>					
<b>Reserved For:</b>					
Debt Service		13,544,389.67		269,029.38	13,813,419.05
Permanently Reserved Purposes Expendable				37,518.82	37,518.82
Permanently Reserved Purposes Nonexpendable				50,000.00	50,000.00
Insurance Purposes	125,910.55				125,910.55
Other Purposes		8,061,894.62	5,054,369.23		13,116,263.85
<b>Unreserved Fund Balances:</b>					
<b>Designated for Next Year's Appropriation:</b>					
<b>Reported in:</b>					
Special Revenue Funds				42,940.00	42,940.00
Designated for Other Purposes	567,090.00				567,090.00
<b>Reported in:</b>					
Special Revenue Funds				638,000.00	638,000.00
Undesignated	3,613,850.61	14,721,022.86	2,893,453.64		21,228,327.11
<b>Reported in:</b>					
Special Revenue Funds				1,924,956.27	1,924,956.27
Capital Projects Funds				53,411.62	53,411.62
<b>Total Fund Balances</b>	<b>4,306,851.16</b>	<b>36,327,307.15</b>	<b>7,947,822.87</b>	<b>3,015,856.09</b>	<b>51,597,837.27</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,463,532.48</b>	<b>\$ 37,128,177.16</b>	<b>\$ 7,947,822.87</b>	<b>\$ 3,117,649.53</b>	<b>\$ 52,657,182.04</b>

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

**MUNICIPALITY OF DEADWOOD**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2008**

Total Fund Balances - Governmental Funds	\$ 51,597,837.27
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.	28,746,315.11
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.	(37,568,630.70)
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.	13,327.84
Net Assets - Governmental Funds	<u>\$ 42,788,849.52</u>

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

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2008**

	<b>General Fund</b>	<b>Historic Restoration and Preservation Fund</b>	<b>Revolving Loan Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
<b>Taxes:</b>					
General Property Taxes	\$ 745,722.56	\$	\$	\$ 54,014.60	\$ 799,737.16
General Sales and Use Taxes	2,124,938.58			415,448.52	2,540,387.10
Business Occupation Taxes				1,033,417.36	1,033,417.36
Amusement Taxes	1,404.00				1,404.00
Penalties and Interest on Delinquent Taxes	1,674.59				1,674.59
Licenses and Permits	207,238.26				207,238.26
<b>Intergovernmental Revenue:</b>					
Federal Grants	6,642.18				6,642.18
State Grants	8,356.13				8,356.13
<b>State Shared Revenue:</b>					
Bank Franchise Tax	4,713.43				4,713.43
Liquor Tax Reversion	8,510.08				8,510.08
Motor Vehicle Licenses (5%)	10,625.60				10,625.60
Local Government Highway and Bridge Fund	5,534.36				5,534.36
Other - Gaming Proceeds		7,174,570.30			7,174,570.30
<b>County Shared Revenue:</b>					
County HBR Tax (25%)	23,096.63				23,096.63
Other Intergovernmental Revenues				87,430.00	87,430.00
<b>Charges for Goods and Services:</b>					
General Government	15,526.60				15,526.60
Public Safety	215.15				215.15
Sanitation	70,769.30			39,056.52	109,825.82
Culture and Recreation				21,205.76	21,205.76
Cemetery	1,825.00			600.00	2,425.00

<b>Fines and Forfeits:</b>					
Parking Meter Fines	22.00				22.00
Library				3,149.35	3,149.35
<b>Miscellaneous Revenue:</b>					
Investment Earnings	97,649.92	1,368,195.62	275,592.77	91,363.75	1,832,802.06
Special Assessments	9,103.94				9,103.94
Capital Contribution-Private				1,070,273.61	1,070,273.61
Other	14,312.95	5,026.70	16,027.49	1,498.25	36,865.39
<b>Total Revenue</b>	<b>3,357,881.26</b>	<b>8,547,792.62</b>	<b>291,620.26</b>	<b>2,817,457.72</b>	<b>15,014,751.86</b>

**Expenditures:**

<b>General Government:</b>					
Legislative	368,781.63				368,781.63
Elections	943.41				943.41
Financial Administration	298,652.00				298,652.00
Other	451,992.99				451,992.99
<b>Public Safety:</b>					
Police	753,132.50				753,132.50
Fire	148,269.93				148,269.93
Building Inspection	70,981.97				70,981.97
<b>Public Works:</b>					
Highways and Streets	720,383.61				720,383.61
Sanitation	70,923.00			58,031.94	128,954.94
Cemeteries	9,798.30				9,798.30
<b>Health and Welfare:</b>					
Health	4,704.09				4,704.09
<b>Culture and Recreation:</b>					
Recreation				148,067.27	148,067.27
Parks	396,597.63				396,597.63
Libraries				128,384.84	128,384.84
Historical Preservation		2,186,770.36			2,186,770.36
<b>Conservation and Development:</b>					
Economic Development and Assistance (Industrial Development)	115,441.69		87,444.99	926,996.04	1,129,882.72
Debt Service	313,990.00	3,385,137.50		54,014.60	3,753,142.10
Capital Outlay	625,319.00	479,908.00		2,692,779.76	3,798,006.76
<b>Total Expenditures</b>	<b>4,349,911.75</b>	<b>6,051,815.86</b>	<b>87,444.99</b>	<b>4,008,274.45</b>	<b>14,497,447.05</b>

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2008  
(Continued)

	<u>General Fund</u>	<u>Historic Restoration and Preservation Fund</u>	<u>Revolving Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of Revenue Over (Under) Expenditures	(992,030.49)	2,495,976.76	204,175.27	(1,190,816.73)	517,304.81
<b>Other Financing Sources (Uses):</b>					
Transfers In	1,322,356.00			929,566.80	2,251,922.80
Transfers Out	(21,050.00)	(2,508,686.80)			(2,529,736.80)
Proceeds of General Long-Term Debt Issued	212,790.00				212,790.00
Sale of Municipal Property	2,377.00				2,377.00
Compensation for Loss or Damage to Capital Assets	8,740.81				8,740.81
<b>Total Other Financing Sources (Uses)</b>	<u>1,525,213.81</u>	<u>(2,508,686.80)</u>	<u>0.00</u>	<u>929,566.80</u>	<u>(53,906.19)</u>
<b>Net Change in Fund Balances</b>	533,183.32	(12,710.04)	204,175.27	(261,249.93)	463,398.62
Fund Balance - Beginning	<u>3,773,667.84</u>	<u>36,340,017.19</u>	<u>7,743,647.60</u>	<u>3,277,106.02</u>	<u>51,134,438.65</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,306,851.16</u>	<u>\$ 36,327,307.15</u>	<u>\$ 7,947,822.87</u>	<u>\$ 3,015,856.09</u>	<u>\$ 51,597,837.27</u>

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

**MUNICIPALITY OF DEADWOOD**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Statement of Activities**  
**For the Year Ended December 31, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 463,398.62

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 capital outlays exceeded depreciation in the current period.	2,846,012.35
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(9,220.10)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,645,061.00
Issuance of long-term debt is an other financing source in the fund statements, but increase in long-term liabilities in the government-wide statements.	(212,790.00)
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".	(5,852.16)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(22,403.13)

Change in Net Assets of Governmental Activities

\$ 4,704,206.58

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

**MUNICIPALITY OF DEADWOOD  
BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2008**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking Meter Fund	Parking Ramp Fund	
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 7,281.65	\$ 8,956.10	\$ 818.94	\$ 162,365.03	\$ 491,043.48	\$ 670,465.20
Investments	530,000.00		300,000.00	743,179.40		1,573,179.40
Accounts Receivable, Net	34,347.44	53.82		917.48	24,256.88	59,575.62
<b>Total Current Assets</b>	<b>571,629.09</b>	<b>9,009.92</b>	<b>300,818.94</b>	<b>906,461.91</b>	<b>515,300.36</b>	<b>2,303,220.22</b>
Noncurrent Assets:						
Restricted Investment					763,978.57	763,978.57
Unamortized Deferred Charges-Issuance Costs					67,210.00	67,210.00
Capital Assets:						
Land			4,865.21	75,000.00	150,000.00	229,865.21
Buildings			120,807.65			120,807.65
Improvements Other Than Buildings	5,085,203.00	2,953,701.98	4,167,180.53		8,996,360.46	21,202,445.97
Machinery and Equipment	374,266.00			670,463.75	22,038.75	1,066,768.50
Less: Accumulated Depreciation (Credit)	(2,063,283.67)	(503,202.99)	(270,579.74)	(421,843.15)	(3,012,923.46)	(6,271,633.01)
<b>Total Noncurrent Assets</b>	<b>3,396,185.33</b>	<b>2,450,498.99</b>	<b>4,022,273.65</b>	<b>323,820.60</b>	<b>6,986,664.32</b>	<b>17,179,442.89</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,967,814.42</b>	<b>\$ 2,459,508.91</b>	<b>\$ 4,323,092.59</b>	<b>\$ 1,230,282.51</b>	<b>\$ 7,501,964.68</b>	<b>\$ 19,482,663.11</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts Payable	\$ 27,473.51	\$	\$ 33.51	\$ 5,513.16	\$ 981.10	\$ 34,001.28
Accrued Interest Payable					145,216.70	145,216.70
Accrued Wages Payable	8,295.30			13,527.27	3,574.32	25,396.89
<b>Total Current Liabilities</b>	<b>35,768.81</b>	<b>0.00</b>	<b>33.51</b>	<b>19,040.43</b>	<b>149,772.12</b>	<b>204,614.87</b>
Noncurrent Liabilities:						
Bonds Payable:						
Revenue					3,645,000.00	3,645,000.00
Accrued Leave Payable	13,904.49			10,010.79		23,915.28
Other Long-Term Debt (Deferred Amount on Refunding)					(205,253.15)	(205,253.15)
<b>Total Noncurrent Liabilities</b>	<b>13,904.49</b>	<b>0.00</b>	<b>0.00</b>	<b>10,010.79</b>	<b>3,439,746.85</b>	<b>3,463,662.13</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Related Debt	3,396,185.33	2,450,498.99	4,022,273.65	323,820.60	2,715,728.90	12,908,507.47
Restricted Net Assets, Restricted for:						
Revenue Bond Debt Service					763,978.57	763,978.57
Unrestricted Net Assets	521,955.79	9,009.92	300,785.43	877,410.69	432,738.24	2,141,900.07
<b>Total Net Assets</b>	<b>3,918,141.12</b>	<b>2,459,508.91</b>	<b>4,323,059.08</b>	<b>1,201,231.29</b>	<b>3,912,445.71</b>	<b>15,814,386.11</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,967,814.42</b>	<b>\$ 2,459,508.91</b>	<b>\$ 4,323,092.59</b>	<b>\$ 1,230,282.51</b>	<b>\$ 7,501,964.68</b>	<b>\$ 19,482,663.11</b>

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

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2008**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking Meter Fund	Parking Ramp Fund	
<b>Operating Revenue:</b>						
Charges for Goods and Services	\$ 483,742.99	\$	\$ 98,512.47	\$ 509,832.73	\$ 703,165.89	\$ 1,795,254.08
Miscellaneous			3,000.00			3,000.00
Total Operating Revenue	<u>483,742.99</u>	<u>0.00</u>	<u>101,512.47</u>	<u>509,832.73</u>	<u>703,165.89</u>	<u>1,798,254.08</u>
<b>Operating Expenses:</b>						
Personal Services	214,352.99		32,730.02	336,678.76	76,850.96	660,612.73
Other Current Expense	383,839.11		6,776.03	262,138.99	86,918.60	739,672.73
Depreciation	111,193.44	66,795.30	45,195.87	90,245.29	301,189.74	614,619.64
Total Operating Expenses	<u>709,385.54</u>	<u>66,795.30</u>	<u>84,701.92</u>	<u>689,063.04</u>	<u>464,959.30</u>	<u>2,014,905.10</u>
Operating Income (Loss)	<u>(225,642.55)</u>	<u>(66,795.30)</u>	<u>16,810.55</u>	<u>(179,230.31)</u>	<u>238,206.59</u>	<u>(216,651.02)</u>
<b>Nonoperating Revenue (Expense):</b>						
Investment Earnings	28,190.84	85.10	7,644.61	24,782.52	40,251.55	100,954.62
Interest Expense and Fiscal Charges					(269,554.38)	(269,554.38)
Rental Revenue				2,600.00		2,600.00
Gain (Loss) on Disposition of Assets				18,000.00		18,000.00
Total Nonoperating Revenue (Expense)	<u>28,190.84</u>	<u>85.10</u>	<u>7,644.61</u>	<u>45,382.52</u>	<u>(229,302.83)</u>	<u>(147,999.76)</u>
Income (Loss) Before Capital Contributions and Transfers	(197,451.71)	(66,710.20)	24,455.16	(133,847.79)	8,903.76	(364,650.78)
Capital Contributions				95,192.80		95,192.80
Transfers In	160,814.00			117,000.00		277,814.00
Change in Net Assets	(36,637.71)	(66,710.20)	24,455.16	78,345.01	8,903.76	8,356.02
Net Assets - Beginning	3,954,778.83	2,526,219.11	4,298,603.92	1,122,886.28	3,903,541.95	15,806,030.09
<b>NET ASSETS - ENDING</b>	<u>\$ 3,918,141.12</u>	<u>\$ 2,459,508.91</u>	<u>\$ 4,323,059.08</u>	<u>\$ 1,201,231.29</u>	<u>\$ 3,912,445.71</u>	<u>\$ 15,814,386.11</u>

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

**MUNICIPALITY OF DEADWOOD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2008**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking Meter Fund	Parking Ramp Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipt from Customers	\$ 488,105.55	\$ 15.15	\$ 98,512.47	\$ 509,531.50	\$ 690,351.26	\$ 1,786,515.93
Payments to Suppliers	(415,031.23)		(6,742.52)	(261,427.41)	(81,405.43)	(764,606.59)
Payments to Employees	(209,280.88)		(32,730.02)	(330,892.94)	(66,073.67)	(638,977.51)
Other Receipts (Payments)			3,000.00			3,000.00
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(136,206.56)</b>	<b>15.15</b>	<b>62,039.93</b>	<b>(82,788.85)</b>	<b>542,872.16</b>	<b>385,931.83</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers From Other Funds	160,814.00			117,000.00		277,814.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Purchase of Capital Assets				(118,991.00)		(118,991.00)
Capital Contributions				95,192.80		95,192.80
Rental Revenue				2,600.00		2,600.00
Proceeds from Sale of Capital Assets				18,000.00		18,000.00
Principal Paid on Capital Debt					(250,000.00)	(250,000.00)
Interest Paid on Capital Debt					(199,029.38)	(199,029.38)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(3,198.20)</b>	<b>(449,029.38)</b>	<b>(452,227.58)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of Investment Securities					(29,260.73)	(29,260.73)
Interest Earnings	28,190.84	85.10	7,644.61	24,782.51	40,251.55	100,954.61
<b>Net Cash Provided by Investing Activities</b>	<b>28,190.84</b>	<b>85.10</b>	<b>7,644.61</b>	<b>24,782.51</b>	<b>10,990.82</b>	<b>71,693.88</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>52,798.28</b>	<b>100.25</b>	<b>69,684.54</b>	<b>55,795.46</b>	<b>104,833.60</b>	<b>283,212.13</b>
Balances - Beginning	484,483.37	8,855.85	231,134.40	849,748.97	386,209.88	1,960,432.47
<b>Balances - Ending</b>	<b>\$ 537,281.65</b>	<b>\$ 8,956.10</b>	<b>\$ 300,818.94</b>	<b>\$ 905,544.43</b>	<b>\$ 491,043.48</b>	<b>\$ 2,243,644.60</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	\$ (225,642.55)	\$ (66,795.30)	\$ 16,810.55	\$ (179,230.31)	\$ 238,206.59	\$ (216,651.02)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	111,193.44	66,795.30	45,195.87	90,245.29	301,189.74	614,619.64
Change in Assets and Liabilities:						
Receivables	4,362.56	15.15		(301.23)	(12,814.63)	(8,738.15)
Accounts and Other Payables	(31,192.12)		33.51	711.58	5,513.17	(24,933.86)
Accrued Wages Payable	1,838.03			5,203.23	10,777.29	17,818.55
Accrued Leave Payable	3,234.08			582.59		3,816.67
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (136,206.56)</b>	<b>\$ 15.15</b>	<b>\$ 62,039.93</b>	<b>\$ (82,788.85)</b>	<b>\$ 542,872.16</b>	<b>\$ 385,931.83</b>
Noncash Investing, Capital and Financing Activities:						
Amortization of Deferred Issuance Costs and Deferred Refunding Amount					\$ 24,769.38	\$ 24,769.38

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

**MUNICIPALITY OF DEADWOOD  
STATEMENT OF FIDUCIARY NET ASSETS  
December 31, 2008**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>50,376.46</u>
<b>TOTAL ASSETS</b>	<u>\$ 50,376.46</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	\$ <u>50,376.46</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 50,376.46</u>

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

MUNICIPALITY OF DEADWOOD  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Deadwood, (Municipality) 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); 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.

The Municipality participates in a cooperative unit with several other local governments. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the Municipality.

b. Basis of Presentation:

*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. 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.

The statement of activities presents a comparison between direct expenses and program revenues for each activity of the business-type activities of the Municipality and for each function of the Municipality'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 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 Municipality 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 Municipality financial reporting entity are described below:

**Governmental Funds:**

*General Fund – the General Fund is the general operating fund of the Municipality. 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.*

Historical Restoration and Preservation Fund – to account for a special fund within the Municipality of Deadwood financed from appropriations to be expended for loans, grants, and purchases for historical restoration and preservation. (SDCL 42-7B-46) This is a major fund.

Revolving Loan Fund – to account for Historic Restoration and Preservation loans made to private individuals and businesses for Historic Preservation purposes. Loans to be repaid over a period of years. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Library, Bed and Booze, Business Improvement District #1- #6, Business Improvement District #7 – Occupancy Tax, Urban Development Action Grant, Debt Reduction, and Rubble Site. These are not major funds.

*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.*

The Tax Increment Financing District #4 (Hills Limited Partnership) and Tax Increment Financing #7 (First Gold) debt service funds are reported in the aggregate in the Other Governmental Funds column on the fund financial statements. These are not major funds. As of December 31, 2008 the Tax Increment Financing #4 Hills Limited Partnership district has been dissolved, as all debt related to this district has been paid. This fund will only be used to account for any residual tax payments as they come in until they are distributed to the proper taxing authorities.

*Capital Project Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).*

The Homestake Adams Research Center (HARC), Methodist Park, Recreation Center Expansion, Saint Ambrose Project, Lodge at Deadwood, and Rodeo Grounds Improvements capital projects funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements. These are not major funds. The Lodge at Deadwood project is part of Tax Increment Financing District #6. The expenses for this project have been paid by the developer thus far. Debt in the amount of \$3,315,000 will be issued in 2009 to fund these expenses, plus the remaining costs of the project.

***Permanent Funds** – permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs—that is for the benefit of the Municipality and its citizenry.*

Oak Ridge Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is not a major fund.

**Proprietary Funds:**

***Enterprise Funds** – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.*

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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.

Mt. Moriah Fund – financed primarily by user charges this fund accounts for the operation and maintenance of the cemetery. This is a major fund.

Parking Meter Fund – financed primarily by user charges this fund accounts for the operation and maintenance of the parking lots and trolley operation. This is a major fund.

Parking Ramp Fund – financed primarily by user charges this fund accounts for the operation and maintenance of the parking ramp. This is a major fund.

## **Fiduciary Funds:**

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

*Agency funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass through funds.*

### **c. Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses 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 fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Assets 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, 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 fund types 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 for the Municipality is 45 days. The revenues which are accrued at December 31, 2008 are sales tax, state shared revenue, gaming revenue, garbage services, and business improvement district assessments.

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.

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 and fiduciary fund types 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.

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

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.

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 Financial 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, 2008 balance of governmental activities capital assets includes approximately 2.49 percent for which the costs were determined by estimates of the original costs. The total December 31, 2008 balance of business-type capital assets are all valued at 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, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at 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, 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.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	All Land	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 25,000	Straight-line	10-25 yrs.
Buildings	\$ 50,000	Straight-line	20-150 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	5-50 yrs.
Infrastructure	\$ 25,000	Straight-line	20-50 yrs.
Utility Property and Improvements	\$ 25,000	Straight-line	10-50 yrs.

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.

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.

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 certificates of participation, revenue bonds, 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.

f. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality'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.

g. Proprietary Funds Revenue and Expense Classifications:

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

h. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits excluding restricted assets with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

i. Equity Classifications:

*Government-wide Financial Statements:*

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

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. Agency Funds have no fund equity. The net assets are reported as net assets held in agency capacity.

j. Application of Net Assets:

It is the Municipality'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.

2. DEFICIT FUND BALANCES/FUND NET ASSETS

As of December 31, 2008, the Deadwood Mountain Grand Capital Project Fund had deficit fund balances of \$87,563.58.

The Governing Board plans to make a transfer from the Historic Preservation Fund to address the deficit fund balances / fund net assets.

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

The Municipality 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 Municipality’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.

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

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

As of December 31, 2008, the Municipality had the following investments.

Investment	Credit Rating	Fair Value
US Treasury Notes	AAA	\$ 10,086,291.00
Federal Home Loan Mortgage Corporation Discount Note (FHLMC)	AAA	2,106,984.15
Federal Home Loan Bank (FHLB)	AAA	1,225,489.75
Federal National Mortgage Association Discount Note (FNMA)	AAA	8,335,306.33
Subtotals		<u>21,754,071.23</u>
<b>Mutual Funds:</b>		
Goldman Sachs Financial Square Treasury Obligation	N/A	703,891.69
<b>External Investment Pools:</b>		
SDFIT	Unrated	3,236,050.79
<b>TOTAL INVESTMENTS</b>		<u>\$ 25,694,013.71</u>

The South Dakota Public Fund investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**Concentration of Credit Risk** – The Municipality places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Municipality's investments are in:

FHLMC	8%
FNMA	32%
US Treasury Notes	40%
FHLB	5%
SDFIT	13%

**Interest Rate Risk** – The Municipality has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Municipality also has approximately \$22 million deposited with First National Bank Trust Department (listed below). This money is proceeds from various COP issues and is managed by the trust agreement between the Municipality and First National Bank.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2008, the Municipality had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
		Less Than 1 year
FNMA	\$	\$ 8,335,306.33
US Treasury Notes		10,086,291.00
FHLMC		2,106,984.15
FHLB		<u>1,225,489.75</u>
Subtotal		<u>\$ 21,754,071.23</u>
<u>Other Investments</u>		
Mutual Funds		703,891.69
External Investment Pools		<u>3,236,050.79</u>
Total	\$	<u>3,939,942.48</u>

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

#### 4. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 8,061,894.62	For Capital Asset construction (includes balances with trustees)
\$ 14,577,351.50	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

#### 5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements, and the detail of the significant components can be found on the fund financial statements. The Municipality expects all receivables to be collected within one year, except for \$5,054,369 of notes receivables related to historic preservation loans reported in the Special Revenue Revolving Loan Fund.

#### 6. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

#### 7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2008 is as follows:

	<u>Balance</u>				<u>Ending Balance</u>
	<u>January 1, 2008</u>	<u>Increases</u>	<u>Adjustments**</u>	<u>Decreases</u>	<u>December 31, 2008</u>
<b>Governmental Activities:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 1,411,686.08	\$ 300,173.00	\$	\$	\$ 1,711,859.08
Construction in Progress	334,282.39	2,688,511.76			3,022,794.15
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,745,968.47</b>	<b>2,988,684.76</b>	<b>0.00</b>	<b>0.00</b>	<b>4,734,653.23</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	10,220,627.20		571,000.00		10,791,627.20
Improvements Other Than Buildings	20,034,892.78	179,735.00	20,955.44		20,235,583.22
Machinery and Equipment	3,090,559.89	625,319.00	(20,955.44)	(115,977.00)	3,578,946.45
Library Books	336,776.86	4,268.00	(92,158.41)	(3,364.97)	245,521.48
<b>Total Capital Assets Being Depreciated</b>	<b>33,682,856.73</b>	<b>809,322.00</b>	<b>478,841.59</b>	<b>(119,341.97)</b>	<b>34,851,678.35</b>
<b>Total Capital Assets</b>	<b>\$ 35,428,825.20</b>	<b>\$ 3,798,006.76</b>	<b>\$ 478,841.59</b>	<b>\$ (119,341.97)</b>	<b>\$ 39,586,331.58</b>

	Balance				Ending Balance
	January 1, 2008	Increases	Adjustments**	Decreases	December 31, 2008
Less Accumulated Depreciation For:					
Buildings	\$ (1,131,330.99)	\$ (154,170.96)	\$	\$	\$ (1,285,501.95)
Improvements Other Than Buildings	(7,752,416.13)	(649,485.08)			(8,401,901.21)
Machinery and Equipment	(933,119.99)	(178,044.40)		106,756.90	(1,004,407.49)
Library Books	(181,276.82)	(24,498.06)	54,204.09	3,364.97	(148,205.82)
Total Accumulated Depreciation	(9,998,143.93)	(1,006,198.50)	54,206.09	110,121.87	(10,840,016.47)
Total Capital Assets Being Depreciated, Net	23,684,712.80	(196,876.50)	533,045.68	(9,220.10)	24,011,661.88
Governmental Activity Capital Assets, Net	\$ 25,430,681.27	\$ 2,791,808.26	\$ 533,045.68	\$ (9,220.10)	\$ 28,746,315.11
Depreciation expense was charged to function as follows:					
General Government					\$ 30,653.11
Public Safety					57,246.72
Public Works					699,605.08
Culture and Recreation					218,693.59
Total Depreciation Expense - Governmental activities					\$ 1,006,198.50

\*\*Adjustments were necessary to properly report Building and Library Books based on the Municipality's research and physical count.

	Balance				Ending Balance
	January 1, 2008	Increases	Adjustments**	Decreases	December 31, 2008
<b>Business-Type Activities:</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 229,865.21	\$	\$	\$	\$ 229,865.21
Capital Assets Being Depreciated:					
Buildings	120,807.65				120,807.65
Improvements Other Than Buildings	21,186,399.50		16,046.47		21,202,445.97
Machinery and Equipment	1,066,805.97	118,991.00	(16,046.47)	(102,982.00)	1,066,768.50
Total Capital Assets Being Depreciated	22,374,013.12	118,991.00	0.00	(102,982.00)	22,390,022.12
Total	\$ 22,603,878.33	\$ 118,991.00	\$ 0.00	\$ (102,982.00)	\$ 22,619,887.33
Less Accumulated Depreciation For:					
Buildings	\$ (1,946.42)	\$ (805.44)	\$	\$	\$ (2,751.86)
Improvements Other Than Buildings	(5,054,149.95)	(503,162.49)			(5,557,312.44)
Machinery and Equipment	(703,899.00)	(110,651.71)		102,982.00	(711,568.71)
Total Accumulated Depreciation	(5,759,995.37)	(614,619.64)	0.00	102,982.00	(6,271,633.01)
Total Capital Assets Being Depreciated, Net	16,614,017.75	(495,628.64)	0.00	0.00	16,118,389.11
Business-Type Activity Capital Assets, Net	\$ 16,843,882.96	\$ (495,628.64)	\$ 0.00	\$ 0.00	\$ 16,348,254.32

**Ending Balance**  
**December 31, 2008**

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water Fund	\$ 111,193.44
Sewer Fund	66,795.30
Mt. Moriah Fund	45,195.87
Parking Meter Fund	90,245.29
Parking Ramp Fund	301,189.74

Total Depreciation Expense - Business-Type Activities	<u>\$ 614,619.64</u>
---	----------------------

\*\*Adjustments were necessary to properly report Building and Library Books based on the Municipality's research and physical count.

Construction Work in Progress at December 31, 2008 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2008	Committed	Required Future Financing
Homestake Adams Research Center	\$ 570,000.00	\$ 492,117.54	\$ 77,882.46	\$
Recreation Center Expansion	7,175,422.00	534,249.38	6,641,172.62	3,000,000.00
Days of 76 Museum	3,000,000.00	39,179.54	2,960,820.46	
Saint Ambrose	1,000,000.00	70,597.66	929,402.34	
Rodeo Grounds	367,748.44	367,748.44		
Deadwood Mountain Grand	1,700,000.00	448,627.98	1,251,372.02	
TIF Lodge at Deadwood	3,071,000.00	1,070,273.61	2,000,726.39	
<b>Total</b>	<u>\$ 16,884,170.44</u>	<u>\$ 3,022,794.15</u>	<u>\$ 13,861,376.29</u>	<u>\$ 3,000,000.00</u>

## 8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

Primary Government:	Balance			Balance		Amounts
Governmental Activities	January 1, 2008	Additions	Reductions	December 31, 2008	Due within	One Year
<b>Bonds and Certificates Payable:</b>						
Sales Tax Revenue	\$ 1,095,000.00	\$	\$ (265,000.00)	\$ 830,000.00	\$ 275,000.00	
Certificates of Participation	37,780,000.00		(1,340,000.00)	36,440,000.00	11,405,000.00	
Other Long-Term Liabilities		212,790.00	(40,061.00)	172,729.00	31,166.07	
<b>Total Debt</b>	38,875.00	212,790.00	(1,645,061.00)	37,442,729.00	11,711,166.07	
<b>Accrued Compensated Absences-</b>						
Governmental Funds	103,498.57	22,403.13		125,901.70	75,559.53	
<b>Total Governmental Activities</b>	<u>38,978,498.57</u>	<u>235,193.13</u>	<u>(1,645,061.00)</u>	<u>37,568,630.70</u>	<u>11,786,725.60</u>	
<b>Business-Type Activities</b>						
<b>Bonds and Certificates Payable:</b>						
Revenue Bond-Parking Ramp	3,895,000.00		(250,000.00)	3,645,000.00	265,000.00	
<b>Accrued Compensated Absences-</b>						
Business-Type Funds	20,098.61	3,816.67		23,915.28	12,278.80	
<b>Total Business-Type Activities</b>	<u>3,915,098.61</u>	<u>3,816.67</u>	<u>(250,000.00)</u>	<u>3,668,915.28</u>	<u>277,278.80</u>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 42,893,597.18</u>	<u>\$ 239,009.80</u>	<u>\$ (1,895,061.00)</u>	<u>\$ 41,237,545.98</u>	<u>\$ 12,064,004.40</u>	

Previously on December 28, 2005 the Municipality issued \$5,965,000 in Refunding Certificates of Participation, Series 2005 (first series in a two part refunding transaction) and on January 1, 2006, the Municipality issued \$4,730,000 in Refunding Certificates of Participation, Series 2006 (second series in a two part refunding transaction) to advance refund, through a crossover refunding, the \$10,000,000 principal due in 2015-2020 of the Certificates of Participation, Series 2000 on November 1, 2009 (the crossover date) and to pay the interest on the Refunding Certificates of Participation, Series 2005 through November 1, 2009.

Debt Payable at December 31, 2008 is comprised of the following:

Revenue Bonds:

2002 Sales Tax Revenue Refunding Bond, December 1, 2011, 2.55% to 4.60%, Payments made by the General Fund.	\$ 830,000.00
2005 Refunding Parking Revenue Bonds, February 1, 2019, 4.75% to 5.0%, Payments made by the Parking Ramp Enterprise Fund.	\$ 3,645,000.00

Certificates of Participation:

Series 2003, November 1, 2017, 3.00% to 4.50%, Payments made by the Historical Restoration and Preservation Fund.	\$ 7,555,000.00
Series 1999, November 1, 2015, 5.00% to 6.20%, Payments made by the Historical Restoration and Preservation Fund.	\$ 6,405,000.00
Series 2000, November 1, 2020, 6.375%, Payments made by the Historical Restoration and Preservation Fund.	\$ 10,000,000.00
Series 2004, November 1, 2019, 3.00% to 4.50%, Payments made by the Historical Restoration and Preservation Fund.	\$ 1,785,000.00
Series 2005, November 1, 2020, 4.75% to 5.00%, Payments made by the Historic Restoration and Preservation Fund.	\$ 5,965,000.00
Series 2006, November 1, 2020, 4.00% to 5.00%, Payments made by the Historic Restoration and Preservation Fund.	\$ 4,730,000.00

Compensated Absences:

Vacation, Sick Leave, Comp Time Payable from Various Funds. Payments made by the fund to which payroll expenditures are charged.	\$ 149,816.98
---	---------------

Financing (Capital Acquisition) Leases:

Street Sweeper Lease/Purchase, April 1, 2014, 5.15%, Payments made by the General Fund.	\$ 172,729.00
--	---------------

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 212,790.00
Interest	<u>27,579.00</u>
Total	<u>\$ 240,369.00</u>

The annual requirements to amortize all debt outstanding as of December 31, 2008, except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2008

Year Ending Dec. 31,	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2009	\$ 540,000.00	\$ 201,452.50	\$ 11,405,000.00	\$ 2,038,005.00
2010	560,000.00	178,007.50	1,545,000.00	1,272,950.06
2011	555,000.00	153,137.50	1,625,000.00	1,194,140.02
2012	295,000.00	128,100.00	1,710,000.00	1,107,175.02
2013	315,000.00	114,522.50	1,805,000.00	1,013,630.02
2014-2018	1,800,000.00	331,512.50	12,715,000.00	3,330,647.60
2019-2020	410,000.00	10,250.00	5,635,000.00	431,500.00
<b>Total</b>	<b>\$ 4,475,000.00</b>	<b>\$ 1,116,982.50</b>	<b>\$ 36,440,000.00</b>	<b>\$ 10,388,047.72</b>

Year Ending Dec. 31,	Capital Lease		Totals	
	Principal	Interest	Principal	Interest
2009	\$ 31,166.07	\$ 8,895.54	\$ 11,976,166.07	\$ 2,248,353.04
2010	32,771.13	7,290.49	2,137,771.13	1,458,248.05
2011	34,458.84	5,602.78	2,214,458.84	1,352,880.30
2012	36,233.47	3,828.15	2,041,233.47	1,239,103.17
2013	38,099.49	1,962.12	2,158,099.49	1,130,114.64
2014-2018			14,515,000.00	3,662,160.10
2019-2020			6,045,000.00	441,750.00
<b>Total</b>	<b>\$ 172,729.00</b>	<b>\$ 27,579.08</b>	<b>\$ 41,087,729.00</b>	<b>\$ 11,532,609.30</b>

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2008 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 765,702.60	
Special Revenue Funds:		
Historic Preservation Fund		\$ 765,702.60

10. NOTES RECEIVABLE

The governmental funds balance sheet includes notes receivable in the amount of \$5,054,369.23 in the Historic Preservation Revolving Loan Fund. These are outstanding balances due to the Municipality from various parties for historical preservation loans.

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2008 were as follows:

<b>Transfers From:</b>	<b>Transfers To:</b>				<b>Total Fund</b>
	<b>General Fund</b>	<b>Water Fund</b>	<b>Parking Meter Fund</b>	<b>Aggregate Other Governmental Funds</b>	
Major Funds:					
General Fund	\$	\$	\$	\$ 21,050.00	\$ 21,050.00
Historic Restoration and Preservation Fund	1,322,356.00	160,814.00	117,000.00	908,516.80	2,508,686.80
<b>Totals</b>	<b>\$ 1,322,356.00</b>	<b>\$ 160,814.00</b>	<b>\$ 117,000.00</b>	<b>\$ 929,566.80</b>	<b>\$ 2,529,736.80</b>

The transfer to the Aggregate Other Governmental Funds is for Library operations. The transfers to the General Fund and the Water Fund are to finance operations of the Municipality impacted by gaming. The transfers to the Aggregate Other Governmental Funds are for various ongoing capital projects. The transfer to the Parking Meter Fund is to help with the purchase of a new trolley.

12. PRIOR PERIOD ADJUSTMENTS

The January 1, 2008 Beginning Net Assets of the Governmental Activities has been adjusted for corrections to Land and Library Book Capital Assets.

13. RETIREMENT PLAN

All employees, except for part-time employees, 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, P.O. 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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2008, 2007, and 2006 were \$121,418.45, \$111,139.12, and \$102,369.75 respectively, equal to the required contributions each year.

14. JOINT VENTURES

The Municipality participates in a joint venture, known as the Northern Hills Drug Task Force, formed for the purpose of implementing and improving state and local drug law enforcement.

The members of the joint venture and their relative percentage of participation are as follows:

Butte County	10%
Lawrence County	10%
Meade County	10%
Spearfish City	10%
Newell	10%
Deadwood	10%
Belle Fourche	10%
Lead	10%
Sturgis	10%
Whitewood	10%

The joint venture's governing board is composed of ten representatives, who are the sheriffs from each county and the police chief for each municipality. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The Municipality retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Lawrence County Sheriffs Office.

At December 31, 2008 this joint venture had total fund equity of \$107,609.83 and no long-term debt.

**15. SIGNIFICANT CONTINGENCIES – LITIGATION**

At December 31, 2008, the Municipality was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the Municipality has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the Municipality as a result of the potential outcome of these lawsuits.

**16. SUBSEQUENT EVENTS**

The Municipality issued \$3,515,000 of Tax Increment Financing Debt to pay for public improvements on Tax Increment Financing District #7.

The Municipality issued \$4,040,000 of Sales Tax Revenue Bonds to Refund the remaining balance of the 1993 Sales Tax Revenue Bonds and to fund the Recreation Center Expansion Project.

The Municipality approved bids and awarded contracts totaling \$7,206,931.06 for the Recreation Center Expansion Project.

**17. RISK MANAGEMENT**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2008, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality'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 Municipality. The Municipality 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 Municipality pays an annual premium to the pool to provide coverage for:

theft or damage to property, general liability, automobile liability, law enforcement liability, and wrongful acts.

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 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. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year and Thereafter	100%

As of December 31, 2008, the Municipality has vested balance in the cumulative reserve fund of \$125,910.55.

The Municipality carries a \$2,000 deductible for the law enforcement liability coverage, \$2,500 deductible for wrongful acts coverage, and \$500 - \$2,500 for property damage coverage, except for damage from flood or earthquake, which is \$25,000.

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and

administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality'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 Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$600,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits or a combined employer liability of \$2,000,000 per incident.

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

Unemployment Benefits:

The Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2008, no claims for unemployment benefits were paid. At December 31, 2008, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF DEADWOOD**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	\$ 766,847.00	\$ 766,847.00	\$ 745,722.56	\$ (21,124.44)
General Sales and Use Taxes	1,850,000.00	1,850,000.00	2,124,938.58	274,938.58
Amusement Taxes	1,500.00	1,500.00	1,404.00	(96.00)
Penalties and Interest on Delinquent Taxes	1,000.00	1,000.00	1,674.59	674.59
Licenses and Permits	82,500.00	82,500.00	207,238.26	124,738.26
<b>Intergovernmental Revenue:</b>				
Federal Grants	24,000.00	24,000.00	6,642.18	(17,357.82)
State Grants	1,000.00	1,000.00	8,356.13	7,356.13
<b>State Shared Revenue:</b>				
Bank Franchise Tax	5,000.00	5,000.00	4,713.43	(286.57)
Liquor Tax Reversion	7,500.00	7,500.00	8,510.08	1,010.08
Motor Vehicle Licenses (5%)	12,000.00	12,000.00	10,625.60	(1,374.40)
Local Government Highway and Bridge Fund	11,000.00	11,000.00	5,534.36	(5,465.64)
<b>County Shared Revenue:</b>				
County HBR Tax (25%)	18,000.00	18,000.00	23,096.63	5,096.63
<b>Charges for Goods and Services:</b>				
General Government	9,850.00	9,850.00	15,526.60	5,676.60
Public Safety	0.00	0.00	215.15	215.15
Sanitation	62,000.00	62,000.00	70,769.30	8,769.30
Cemetery	1,500.00	1,500.00	1,825.00	325.00
<b>Fines and Forfeits:</b>				
Parking Meter Fines	25,000.00	25,000.00	22.00	(24,978.00)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	60,000.00	60,000.00	97,649.92	37,649.92
Special Assessments	2,447.00	2,447.00	9,103.94	6,656.94
Other	17,500.00	17,500.00	14,312.95	(3,187.05)
<b>Total Revenue</b>	<b>2,958,644.00</b>	<b>2,958,644.00</b>	<b>3,357,881.26</b>	<b>399,237.26</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	381,710.00	396,582.00	368,781.63	27,800.37
Elections	700.00	946.00	943.41	2.59
Financial Administration	329,433.43	329,433.43	298,652.00	30,781.43
Other	559,640.00	574,124.00	464,683.99	109,440.01
<b>Public Safety:</b>				
Police	842,354.00	852,830.00	775,073.50	77,756.50
Fire	318,975.00	667,715.00	494,323.93	173,391.07
Building Inspection	72,029.00	72,029.00	70,981.97	1,047.03
<b>Public Works:</b>				
Highways and Streets	728,678.00	759,272.00	933,173.61	(173,901.61)
Sanitation	67,421.00	72,521.00	70,923.00	1,598.00
Cemeteries	14,500.00	14,500.00	9,798.30	4,701.70
<b>Health and Welfare:</b>				
Health	7,000.00	7,000.00	4,704.09	2,295.91
<b>Culture and Recreation:</b>				
Parks	386,631.00	425,986.00	428,440.63	(2,454.63)
<b>Conservation and Development:</b>				
Economic Development and Assistance (Industrial Development	115,683.00	115,683.00	115,441.69	241.31
Debt Service	313,490.00	313,990.00	313,990.00	0.00
<b>Total Expenditures</b>	<b>4,138,244.43</b>	<b>4,602,611.43</b>	<b>4,349,911.75</b>	<b>252,699.68</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF DEADWOOD**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended December 31, 2008**  
**(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Excess of Revenue Over (Under)				
Expenditures	(1,179,600.43)	(1,643,967.43)	(992,030.49)	651,936.94
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,322,358.00	1,322,356.00	1,322,356.00	0.00
Transfers Out	(21,050.00)	(21,050.00)	(21,050.00)	0.00
Proceeds from General Long-Term Debt	0.00	0.00	212,790.00	212,790.00
Sale of Municipal Property	0.00	0.00	2,377.00	2,377.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	8,740.81	8,740.81
<b>Total Other Financing Sources (Uses)</b>	<u>1,301,306.00</u>	<u>1,301,306.00</u>	<u>1,525,213.81</u>	<u>223,907.81</u>
Net Change in Fund Balances	121,705.57	(342,661.43)	533,183.32	875,844.75
Fund Balance - Beginning	<u>3,773,667.84</u>	<u>3,773,667.84</u>	<u>3,773,667.84</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,895,373.41</u>	<u>\$ 3,431,006.41</u>	<u>\$ 4,306,851.16</u>	<u>\$ 875,844.75</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF DEADWOOD  
BUDGETARY COMPARISON SCHEDULE - HISTORIC RESTORATION AND PRESERVATION FUND  
For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental Revenue:				
Other - Gaming Proceeds	\$ 6,914,000.00	\$ 6,914,000.00	\$ 7,174,570.30	\$ 260,570.30
Miscellaneous Revenue:				
Investment Earnings	250,000.00	250,000.00	1,368,195.62	1,118,195.62
Other	5,000.00	5,000.00	5,026.70	26.70
<b>Total Revenue</b>	<u>7,169,000.00</u>	<u>7,169,000.00</u>	<u>8,547,792.62</u>	<u>1,378,792.62</u>
<b>Expenditures:</b>				
Culture and Recreation:				
Historical Preservation	2,705,951.00	3,893,293.00	2,666,678.36	1,226,614.64
Debt Service	2,862,879.00	3,385,137.00	3,385,137.50	(0.50)
<b>Total Expenditures</b>	<u>5,568,830.00</u>	<u>7,278,430.00</u>	<u>6,051,815.86</u>	<u>1,226,614.14</u>
Excess of Revenue Over (Under)				
Expenditures	1,600,170.00	(109,430.00)	2,495,976.76	2,605,406.76
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,600,170.00)	(1,600,170.00)	(2,508,686.80)	(908,516.80)
<b>Net Change in Fund Balances</b>	0.00	(1,709,600.00)	(12,710.04)	1,696,889.96
Fund Balance - Beginning	<u>36,340,017.19</u>	<u>36,340,017.19</u>	<u>36,340,017.19</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 36,340,017.19</u>	<u>\$ 34,630,417.19</u>	<u>\$ 36,327,307.15</u>	<u>\$ 1,696,889.96</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF DEADWOOD  
BUDGETARY COMPARISON SCHEDULE - REVOLVING LOAN FUND  
For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	\$ 257,500.00	\$ 257,500.00	\$ 275,592.77	\$ 18,092.77
Other	0.00	0.00	16,027.49	16,027.49
Total Revenue	<u>257,500.00</u>	<u>257,500.00</u>	<u>291,620.26</u>	<u>34,120.26</u>
<b>Expenditures:</b>				
Economic Development and Assistance (Industrial Development)	<u>106,500.00</u>	<u>106,500.00</u>	<u>87,444.99</u>	<u>19,055.01</u>
Net Change in Fund Balances	151,000.00	151,000.00	204,175.27	53,175.27
Fund Balance - Beginning	<u>7,743,647.60</u>	<u>7,743,647.60</u>	<u>7,743,647.60</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 7,894,647.60</u>	<u>\$ 7,894,647.60</u>	<u>\$ 7,947,822.87</u>	<u>\$ 53,175.27</u>

**MUNICIPALITY OF DEADWOOD**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedules of Budgetary Comparisons for the General Fund**  
**and for each major Special Revenue Fund with a legally required budget.**

**Note 1.      Budgets and Budgetary Accounting:**

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

1.    At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2.    After adoption by the Governing Board/Municipality Commission, 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/Municipality Commission 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/Municipality Commission.
6.    Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7.    Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

**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.