

MUNICIPALITY OF DEADWOOD

AUDIT REPORT

For the Year Ended December 31, 2015

MUNICIPALITY OF DEADWOOD
MUNICIPAL OFFICIALS
December 31, 2015

Municipal Commission Members:

Charles M. Turbiville
David R. Ruth, Jr.
Mark Speirs
Gary Todd
Jim Van Den Eykel

Municipal Finance Officer:

Mary Jo Nelson

Municipal Attorney:

Quentin Riggins
Terri Williams

MUNICIPALITY OF DEADWOOD
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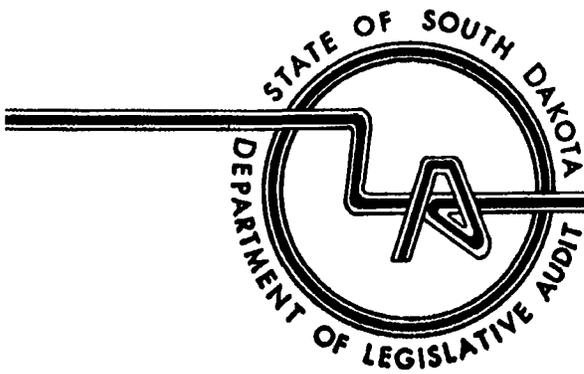
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

Governing Board
Municipality of Deadwood
Deadwood, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Deadwood, South Dakota (Municipality), as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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



Martin L. Guindon, CPA
Auditor General

October 24, 2016

MUNICIPALITY OF DEADWOOD
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

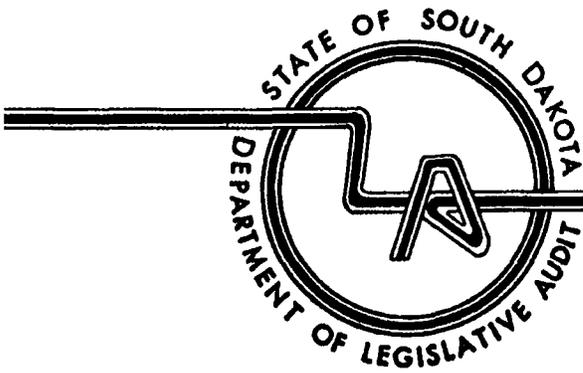
Prior Audit Findings:

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.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Deadwood
Deadwood, South Dakota

Report on the Financial Statements

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, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 (Municipality), as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Municipality's Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) on pages 42 through 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 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* in considering the Municipality's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

October 24, 2016

MUNICIPALITY OF DEADWOOD
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 9,067,606.05	\$ 1,833,378.32	\$ 10,900,984.37
Investments	17,712,924.54	500,000.00	18,212,924.54
Accounts Receivable, Net	3,611,416.00	52,392.06	3,663,808.06
Restricted Assets:			
Cash and Cash Equivalents	153,938.08		153,938.08
Investments	2,881,025.89	260,500.00	3,141,525.89
Other Assets	336,453.12		336,453.12
Net Pension Asset	489,759.93	80,656.95	570,416.88
Capital Assets:			
Land and Construction in Progress	5,726,240.32	1,028,426.52	6,754,666.84
Other Capital Assets, Net of Depreciation	38,248,692.14	14,187,165.41	52,435,857.55
TOTAL ASSETS	\$ 78,228,056.07	\$ 17,942,519.26	\$ 96,170,575.33
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	\$ 852,545.58	\$ 140,402.91	\$ 992,948.49
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 852,545.58	\$ 140,402.91	\$ 992,948.49
LIABILITIES:			
Accounts Payable	\$ 451,129.93	\$ 50,999.57	\$ 502,129.50
Other Current Liabilities	181,782.95	31,003.27	212,786.22
Noncurrent Liabilities:			
Due Within One Year	3,052,730.44	418,929.83	3,471,660.27
Due in More than One Year	18,251,899.55	684,752.39	18,936,651.94
TOTAL LIABILITIES	\$ 21,937,542.87	\$ 1,185,685.06	\$ 23,123,227.93
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	\$ 727,335.73	\$ 119,782.52	\$ 847,118.25
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 727,335.73	\$ 119,782.52	\$ 847,118.25
NET POSITION:			
Net Investment in Capital Assets	\$ 27,599,758.28	\$ 14,396,091.93	\$ 41,995,850.21
Restricted For: (See Note 10)			
Historic Preservation Purposes	12,162,842.94		12,162,842.94
Revolving Loan Purposes	6,675,967.86		6,675,967.86
Debt Service Purposes	922,263.97	381,754.17	1,304,018.14
SDRS Pension Purposes	614,969.78	101,277.34	716,247.12
Permanently Restricted Purposes-Nonexpendable	50,000.00		50,000.00
Permanently Restricted Purposes-Expendable	31,219.12		31,219.12
Insurance Reserve Purposes	125,910.55		125,910.55
Other Purposes	1,877,458.06		1,877,458.06
Unrestricted	6,355,332.49	1,898,331.15	8,253,663.64
TOTAL NET POSITION	\$ 56,415,723.05	\$ 16,777,454.59	\$ 73,193,177.64

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 1,636,391.71	\$ 166,913.24	\$	\$	\$ (1,469,478.47)	\$	\$ (1,469,478.47)
Public Safety	1,163,911.73	38,734.70	1,187.00		(1,123,990.03)		(1,123,990.03)
Public Works	1,636,558.27	159,886.27	59,616.87	51,852.35	(1,365,202.78)		(1,365,202.78)
Health and Welfare	7,995.97				(7,995.97)		(7,995.97)
Culture and Recreation	3,721,137.91	84,830.20	91,801.00		(3,544,506.71)		(3,544,506.71)
Conservation and Development	1,981,318.48	17,060.00			(1,964,258.48)		(1,964,258.48)
*Interest on Long-Term Debt	1,280,930.87				(1,280,930.87)		(1,280,930.87)
Total Governmental Activities	11,428,244.94	467,424.41	152,604.87	51,852.35	(10,756,363.31)	0.00	(10,756,363.31)
Business-Type Activities:							
Water	785,189.48	633,817.79				(151,371.69)	(151,371.69)
Sewer	76,251.66	33,029.87				(43,221.79)	(43,221.79)
Mt. Moriah	90,060.08	82,717.06				(7,343.02)	(7,343.02)
Parking and Transportation	671,165.41	415,125.34				(256,040.07)	(256,040.07)
Broadway Parking Ramp	519,134.28	447,703.40				(71,430.88)	(71,430.88)
Total Business-Type Activities	2,141,800.91	1,612,393.46	0.00	0.00	0.00	(529,407.45)	(529,407.45)
Total Primary Government	\$ 13,570,045.85	\$ 2,079,817.87	\$ 152,604.87	\$ 51,852.35	(10,756,363.31)	(529,407.45)	(11,285,770.76)
General Revenues:							
Taxes:							
Property Taxes					1,698,897.71		1,698,897.71
Sales Taxes					3,623,066.85		3,623,066.85
Business Occupation Tax					1,161,707.30		1,161,707.30
State Shared Revenues					7,088,858.04		7,088,858.04
Unrestricted Investment Earnings					186,314.82	4,271.91	190,586.73
Miscellaneous Revenue					361,613.45	6,453.80	368,067.25
Transfers					(512,774.09)	512,774.09	0.00
Total General Revenues and Transfers					13,607,684.08	523,499.80	14,131,183.88
Change in Net Position					2,851,320.77	(5,907.65)	2,845,413.12
Net Position - Beginning					53,027,012.93	16,653,835.53	69,680,848.46
Adjustments:							
Lower Main Visitor Center Project (See Note 12)						41,025.83	41,025.83
GASB 68 Pension Reporting (See Note 12)					537,389.35	88,500.88	625,890.23
Adjusted Net Position - Beginning					53,564,402.28	16,783,362.24	70,347,764.52
NET POSITION - ENDING					\$ 56,415,723.05	\$ 16,777,454.59	\$ 73,193,177.64

*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, 2015**

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 3,526,118.24	\$ 1,913,518.66	\$ 2,153,682.88	\$ 1,474,286.27	\$ 9,067,606.05
Investments	5,390,220.53	10,565,817.65	1,256,886.36	500,000.00	17,712,924.54
Taxes Receivable--Delinquent	2,841.85				2,841.85
Accounts Receivable, Net	14,648.95			4,747.80	19,396.75
Special Assessments Receivable				16,950.91	16,950.91
Notes Receivable, Net of Allowance			3,263,117.49		3,263,117.49
Due from State Government	246,468.60	10,501.50		44,280.27	301,250.37
Interest and Late Fees Receivable			7,858.63		7,858.63
Restricted Cash and Cash Equivalents				153,938.08	153,938.08
Restricted Investments	330,200.00	2,550,825.89			2,881,025.89
Deposits	125,910.55				125,910.55
TOTAL ASSETS	\$ 9,636,408.72	\$ 15,040,663.70	\$ 6,681,545.36	\$ 2,194,203.33	\$ 33,552,821.11
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 132,944.94	\$ 234,011.93	\$ 5,577.50	\$ 78,595.56	\$ 451,129.93
Accrued Wages Payable	53,849.43	6,025.42		6,314.78	66,189.63
Total Liabilities	186,794.37	240,037.35	5,577.50	84,910.34	517,319.56
Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	2,841.85				2,841.85
Fund Balances: (See Note 1. I.)					
Nonspendable	125,910.55			50,000.00	175,910.55
Restricted	330,200.00	14,800,626.35	6,675,967.86	2,076,491.72	23,883,285.93
Assigned	3,142,836.00				3,142,836.00
Unassigned	5,847,825.95			(17,198.73)	5,830,627.22
Total Fund Balances	9,446,772.50	14,800,626.35	6,675,967.86	2,109,292.99	33,032,659.70
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,636,408.72	\$ 15,040,663.70	\$ 6,681,545.36	\$ 2,194,203.33	\$ 33,552,821.11

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 Position
December 31, 2015

Total Fund Balances - Governmental Funds \$ 33,032,659.70

Amounts reported for governmental activities in the Statement of Net Position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 489,759.93

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 43,974,932.46

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 852,545.58

Long-term liabilities, including bonds payable, accrued leave payable are not due and payables in the current period and therefore are not reported in the funds. (21,304,629.99)

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. 2,841.85

Liabilities such as accrued interest payable are not reported as expenditures in the funds. (115,593.32)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (727,335.73)

Prepaid insurance is recorded as an asset in the Statement of Net Position, but is recorded as an expenditure in the funds. 210,542.57

Net Position - Governmental Activities \$ 56,415,723.05

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, 2015

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes	\$ 981,224.12	\$	\$	\$ 714,505.61	\$ 1,695,729.73
General Sales and Use Taxes	2,888,282.14			734,784.71	3,623,066.85
Business Occupation Taxes				1,161,707.30	1,161,707.30
Amusement Taxes	1,008.00				1,008.00
Penalties and Interest on Delinquent Taxes	1,872.37				1,872.37
Licenses and Permits	107,456.60				107,456.60
Intergovernmental Revenue:					
Federal Grants	51,852.35				51,852.35
State Grants	1,187.00				1,187.00
State Shared Revenue:					
Bank Franchise Tax	6,756.06				6,756.06
Liquor Tax Reversion	9,933.75				9,933.75
Motor Vehicle Licenses (5%)	20,803.47				20,803.47
Local Government Highway and Bridge Fund	34,279.76				34,279.76
Gaming Proceeds		7,072,168.23			7,072,168.23
County Shared Revenue:					
County Highway and Bridge Reserve Tax (25%)	4,533.64				4,533.64
Other Intergovernmental Revenues				91,801.00	91,801.00
Charges for Goods and Services:					
General Government	36,789.80				36,789.80
Public Safety	230.85				230.85
Sanitation	79,764.48			75,721.79	155,486.27
Culture and Recreation	564.13			84,266.07	84,830.20
Cemetery	2,750.00			1,650.00	4,400.00
Fines and Forfeits:					
Library				81.25	81.25
Miscellaneous Revenue:					
Investment Earnings	16,175.10	49,918.73	119,425.76	795.23	186,314.82
Other	42,070.07	684.30	11,937.77		54,692.14
Total Revenues	4,287,533.69	7,122,771.26	131,363.53	2,865,312.96	14,406,981.44
Expenditures:					
General Government:					
Legislative	318,199.08				318,199.08
Elections	3,212.63				3,212.63

Financial Administration	353,482.15				353,482.15
Other	983,887.74				983,887.74
Public Safety:					
Police	929,733.13				929,733.13
Fire	133,504.96				133,504.96
Building Inspection	69,516.76				69,516.76
Public Works:					
Highways and Streets	709,279.19				709,279.19
Sanitation	77,410.54		81,194.91		158,605.45
Cemeteries	14,084.00				14,084.00
Health and Welfare:					
Health	7,995.97				7,995.97
Culture and Recreation:					
Recreation			249,677.82		249,677.82
Parks	419,347.44				419,347.44
Libraries			130,143.07		130,143.07
Historical Preservation		2,657,750.11			2,657,750.11
Conservation and Development:					
Economic Development and Assistance (Industrial Development)	100,711.54		143,768.15	1,675,113.98	1,919,593.67
Uncollectible Loan Write-Off (See Note 9)			62,768.96		62,768.96
Debt Service	327,962.50	12,949,400.94		714,505.61	13,991,869.05
Capital Outlay	548,996.94	1,807,324.36		424,590.73	2,780,912.03
Total Expenditures	<u>4,997,324.57</u>	<u>17,414,475.41</u>	<u>206,537.11</u>	<u>3,275,226.12</u>	<u>25,893,563.21</u>
Excess of Revenues Over (Under) Expenditures	<u>(709,790.88)</u>	<u>(10,291,704.15)</u>	<u>(75,173.58)</u>	<u>(409,913.16)</u>	<u>(11,486,581.77)</u>
Other Financing Sources (Uses):					
Transfers In	1,413,245.05			446,002.00	1,859,247.05
Transfers Out	(46,002.00)	(2,046,232.68)	(6,260.08)	(273,526.38)	(2,372,021.14)
Premium on Bonds Issued		306,544.30			306,544.30
Issuance of Long-Term Debt		8,950,000.00			8,950,000.00
Sale of Municipal Property	12,336.79				12,336.79
Compensation for Loss or Damage to Capital Assets	78,149.44				78,149.44
Total Other Financing Sources (Uses)	<u>1,457,729.28</u>	<u>7,210,311.62</u>	<u>(6,260.08)</u>	<u>172,475.62</u>	<u>8,834,256.44</u>
Net Change in Fund Balance	747,938.40	(3,081,392.53)	(81,433.66)	(237,437.54)	(2,652,325.33)
Fund Balance - Beginning	<u>8,698,834.10</u>	<u>17,882,018.88</u>	<u>6,757,401.52</u>	<u>2,346,730.53</u>	<u>35,684,985.03</u>
FUND BALANCE - ENDING	<u>\$ 9,446,772.50</u>	<u>\$ 14,800,626.35</u>	<u>\$ 6,675,967.86</u>	<u>\$ 2,109,292.99</u>	<u>\$ 33,032,659.70</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (2,652,325.33)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. 1,629,153.01
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.

In the Statement of Activities, losses of \$160,005.46 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$12,336.79 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. (172,342.25)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 12,679,674.93

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements. (8,950,000.00)

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." 287.61

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change. (2,513.45)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 31,263.25

Prepaid expenses are an expenditure on the fund statements when paid but are expensed on the statement activities when consumed. This amount represents the "change in" prepaid expenses. 210,542.57

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 77,580.43

Change in Net Position of Governmental Activities \$ 2,851,320.77

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

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**MUNICIPALITY OF DEADWOOD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking and Transportation Fund	Broadway Parking Ramp Fund	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 734,880.07	\$ 192,746.47	\$ 110,769.93	\$ 302,030.33	\$ 492,951.52	\$ 1,833,378.32
Investments			500,000.00			500,000.00
Accounts Receivable, Net	43,938.83	2,920.24		1,115.98	4,417.01	52,392.06
Total Current Assets	778,818.90	195,666.71	610,769.93	303,146.31	497,368.53	2,385,770.38
Noncurrent Assets:						
Restricted Investment					260,500.00	260,500.00
Net Pension Asset	38,271.72			42,385.23		80,656.95
Capital Assets:						
Land			4,865.21	75,000.00	150,000.00	229,865.21
Construction in Progress	485,365.81			313,195.50		798,561.31
Buildings			120,807.65			120,807.65
Improvements Other Than Buildings	6,341,708.70	3,399,440.78	4,167,180.53	120,982.38	9,045,613.99	23,074,926.38
Machinery and Equipment	418,143.90	41,982.50		823,294.00	41,858.52	1,325,278.92
Less: Accumulated Depreciation (Credit)	(2,888,286.71)	(1,001,779.76)	(582,643.13)	(746,782.34)	(5,114,355.60)	(10,333,847.54)
Total Noncurrent Assets	4,395,203.42	2,439,643.52	3,710,210.26	628,074.77	4,383,616.91	15,556,748.88
TOTAL ASSETS	\$ 5,174,022.32	\$ 2,635,310.23	\$ 4,320,980.19	\$ 931,221.08	\$ 4,880,985.44	\$ 17,942,519.26
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Deferred Outflows	\$ 66,621.19	\$	\$	\$ 73,781.72	\$	\$ 140,402.91
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 66,621.19	\$ 0.00	\$ 0.00	\$ 73,781.72	\$ 0.00	\$ 140,402.91
LIABILITIES:						
Current Liabilities:						
Accounts Payable	\$ 24,453.95	\$	\$ 78.66	\$ 8,617.10	\$ 17,849.86	\$ 50,999.57
Accrued Interest Payable					10,504.15	10,504.15
Accrued Wages Payable	5,708.89			12,359.98	2,430.25	20,499.12
Bonds Payable, Due in One Year					405,000.00	405,000.00
Compensated Absences Payable -- Current	8,550.34			5,379.49		13,929.83
Total Current Liabilities	38,713.18	0.00	78.66	26,356.57	435,784.26	500,932.67
Noncurrent Liabilities:						
Bonds Payable:						
Revenue					675,000.00	675,000.00
Compensated Absences Payable	3,179.00			6,573.39		9,752.39
Total Noncurrent Liabilities	3,179.00	0.00	0.00	6,573.39	675,000.00	684,752.39
TOTAL LIABILITIES	\$ 41,892.18	\$ 0.00	\$ 78.66	\$ 32,929.96	\$ 1,110,784.26	\$ 1,185,685.06

DEFERRED INFLOWS OF RESOURCES:

Pension Related Deferred Inflows	\$ 56,836.81	\$	\$	\$ 62,945.71	\$	\$ 119,782.52
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 56,836.81</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 62,945.71</u>	<u>\$ 0.00</u>	<u>\$ 119,782.52</u>

NET POSITION:

Net Investment in Capital Assets	\$ 4,356,931.70	\$ 2,439,643.52	\$ 3,710,210.26	\$ 585,689.54	\$ 3,303,616.91	\$ 14,396,091.93
Restricted For:						
Debt Service					381,754.17	381,754.17
SDRS Pension Purposes	48,056.10			53,221.24		101,277.34
Unrestricted	<u>736,926.72</u>	<u>195,666.71</u>	<u>610,691.27</u>	<u>270,216.35</u>	<u>84,830.10</u>	<u>1,898,331.15</u>
TOTAL NET POSITION	<u>\$ 5,141,914.52</u>	<u>\$ 2,635,310.23</u>	<u>\$ 4,320,901.53</u>	<u>\$ 909,127.13</u>	<u>\$ 3,770,201.18</u>	<u>\$ 16,777,454.59</u>

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

MUNICIPALITY OF DEADWOOD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking and Transportation Fund	Broadway Parking Ramp Fund	
Operating Revenues:						
Charges for Goods and Services	\$ 633,817.79	\$ 33,029.87	\$ 82,717.06	\$ 415,125.34	\$ 447,703.40	\$ 1,612,393.46
Miscellaneous			6,153.80			6,153.80
Total Operating Revenues	<u>633,817.79</u>	<u>33,029.87</u>	<u>88,870.86</u>	<u>415,125.34</u>	<u>447,703.40</u>	<u>1,618,547.26</u>
Operating Expenses:						
Personal Services	241,108.31		32,113.39	433,582.95	75,657.38	782,462.03
Other Current Expense	414,937.92		14,596.93	166,940.08	107,935.19	704,410.12
Depreciation	129,143.25	76,251.66	43,349.76	70,642.38	303,173.65	622,560.70
Total Operating Expenses	<u>785,189.48</u>	<u>76,251.66</u>	<u>90,060.08</u>	<u>671,165.41</u>	<u>486,766.22</u>	<u>2,109,432.85</u>
Operating Income (Loss)	<u>(151,371.69)</u>	<u>(43,221.79)</u>	<u>(1,189.22)</u>	<u>(256,040.07)</u>	<u>(39,062.82)</u>	<u>(490,885.59)</u>
Nonoperating Revenues (Expenses):						
Investment Earnings	1,788.54	70.89	951.76	113.72	1,347.00	4,271.91
Interest Expense and Fiscal Charges					(25,876.65)	(25,876.65)
Gain (Loss) on Disposition of Assets					(6,491.41)	(6,491.41)
Other	300.00					300.00
Total Nonoperating Revenues (Expenses)	<u>2,088.54</u>	<u>70.89</u>	<u>951.76</u>	<u>113.72</u>	<u>(31,021.06)</u>	<u>(27,796.15)</u>
Income (Loss) Before Transfers	(149,283.15)	(43,150.90)	(237.46)	(255,926.35)	(70,083.88)	(518,681.74)
Transfers In	160,814.00			169,000.00	185,885.00	515,699.00
Transfers Out	<u>(1,788.54)</u>	<u>(70.89)</u>	<u>(951.76)</u>	<u>(113.72)</u>		<u>(2,924.91)</u>
Change in Net Position	<u>9,742.31</u>	<u>(43,221.79)</u>	<u>(1,189.22)</u>	<u>(87,040.07)</u>	<u>115,801.12</u>	<u>(5,907.65)</u>
Net Position - Beginning	5,090,178.54	2,678,532.02	4,322,090.75	908,634.16	3,654,400.06	16,653,835.53
Adjustments:						
Lower Main Visitor Center Project (See Note 12)				41,025.83		41,025.83
GASB 68 Pension Reporting (See Note 12)	41,993.67			46,507.21		88,500.88
Adjusted Net Position - Beginning	<u>5,132,172.21</u>	<u>2,678,532.02</u>	<u>4,322,090.75</u>	<u>996,167.20</u>	<u>3,654,400.06</u>	<u>16,783,362.24</u>
NET POSITION - ENDING	<u>\$ 5,141,914.52</u>	<u>\$ 2,635,310.23</u>	<u>\$ 4,320,901.53</u>	<u>\$ 909,127.13</u>	<u>\$ 3,770,201.18</u>	<u>\$ 16,777,454.59</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, 2015**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking and Transportation Fund	Broadway Parking Ramp Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipt from Customers	\$ 634,067.22	\$ 33,049.44	\$ 82,761.06	\$ 414,287.38	\$ 446,517.21	\$ 1,610,682.31
Cash Payments to Suppliers of Goods and Services	(421,548.71)		(14,518.27)	(172,131.84)	(101,579.16)	(709,777.98)
Cash Payments to Employees for Services	(242,421.84)		(32,113.39)	(431,992.80)	(75,643.82)	(782,171.85)
Other Operating Cash Payments			6,153.80			6,153.80
Net Cash Provided (Used) by Operating Activities	<u>(29,903.33)</u>	<u>33,049.44</u>	<u>42,283.20</u>	<u>(189,837.26)</u>	<u>269,294.23</u>	<u>124,886.28</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers To Other Funds	(1,788.54)	(70.89)	(951.76)	(113.72)		(2,924.91)
Transfers From Other Funds	160,814.00			169,000.00	185,885.00	515,699.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>159,025.46</u>	<u>(70.89)</u>	<u>(951.76)</u>	<u>168,886.28</u>	<u>185,885.00</u>	<u>512,774.09</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of Capital Assets	(502,336.91)			(272,169.67)	(28,319.52)	(802,826.10)
Other Receipts (Payments)	300.00					300.00
Principal Paid on Capital Debt					(400,000.00)	(400,000.00)
Interest Paid on Capital Debt					(29,210.00)	(29,210.00)
Net Cash (Used) by Capital and Related Financing Activities	<u>(502,036.91)</u>	<u>0.00</u>	<u>0.00</u>	<u>(272,169.67)</u>	<u>(457,529.52)</u>	<u>(1,231,736.10)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from Sales and Maturities of Investments	500,000.00					500,000.00
Cash Received for Interest	1,788.54	70.89	951.76	113.72	1,347.00	4,271.91
Net Cash Provided by Investing Activities	<u>501,788.54</u>	<u>70.89</u>	<u>951.76</u>	<u>113.72</u>	<u>1,347.00</u>	<u>504,271.91</u>
Net Increase (Decrease) in Cash and Cash Equivalents	128,873.76	33,049.44	42,283.20	(293,006.93)	(1,003.29)	(89,803.82)
Balances - Beginning	606,006.31	159,697.03	68,486.73	595,037.26	493,954.81	1,923,182.14
Balances - Ending	<u>\$ 734,880.07</u>	<u>\$ 192,746.47</u>	<u>\$ 110,769.93</u>	<u>\$ 302,030.33</u>	<u>\$ 492,951.52</u>	<u>\$ 1,833,378.32</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (151,371.69)	\$ (43,221.79)	\$ (1,189.22)	\$ (256,040.07)	\$ (39,062.82)	\$ (490,885.59)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	129,143.25	76,251.66	43,349.76	70,642.38	303,173.65	622,560.70
Change in Assets and Liabilities:						
Receivables	249.43	19.57	44.00	(837.96)	(1,186.19)	(1,711.15)
Accounts and Other Payables	(548.36)		78.66	1,522.27	6,356.03	7,408.60
Accrued Wages Payable	217.98			1,742.04	13.56	1,973.58
Accrued Leave Payable	(1,531.51)			(151.89)		(1,683.40)
Pension Related Deferred Outflows, Deferred Inflows, Pension Net Assets	(6,062.43)			(6,714.03)		(12,776.46)
Net Cash Provided (Used) by Operating Activities	<u>\$ (29,903.33)</u>	<u>\$ 33,049.44</u>	<u>\$ 42,283.20</u>	<u>\$ (189,837.26)</u>	<u>\$ 269,294.23</u>	<u>\$ 124,886.28</u>
Noncash Investing, Capital and Financing Activities:						
Loss on Disposal of Capital Assets not Affecting Operating Income					\$ 6,491.41	\$ 6,491.41

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

MUNICIPALITY OF DEADWOOD
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2015

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 33,139.49</u>
TOTAL ASSETS	<u><u>\$ 33,139.49</u></u>
LIABILITIES:	
Amounts Held for Others	<u>\$ 33,139.49</u>
TOTAL LIABILITIES	<u><u>\$ 33,139.49</u></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, 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.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position 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 segment 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 funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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.

Historic Preservation and Restoration 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 are to be repaid over a period of years. This is a major fund.

The remaining Special Revenue Funds are not considered major funds: Library, Bed and Booze, Business Improvement District #1 - #6, Business Improvement District #7-Occupancy Tax, and Rubble Site. These are reported on the fund financial statements as "Other Governmental 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 #6 (Lodge at Deadwood), Tax Increment Financing District #7 (First Gold), Tax Increment Financing District #8 (Stage Run Development), and Tax Increment Financing District #9 (Cadillac Jack's - Optima LLC) debt service funds are reported in the aggregate in the Other Governmental Funds column on the fund financial statements. These are not major funds.

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

The St. Ambrose Cemetery Capital Project Fund is reported in aggregate in the Other Governmental Funds column on the fund financial statements. This is not a major fund.

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) The Municipality has elected to report as a major fund.

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

Parking and Transportation Fund – financed primarily by user charges this fund accounts for the operation and maintenance of the parking lots and trolley operation. The Municipality has elected to report as a major fund.

Broadway 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 sales tax owed the state, city nickel slot fees owed the state, and various contributions and donations for the DARE program.

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, 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, 2015 are sales tax, state shared revenue, gaming revenue, utility and garbage services, and business improvement district assessments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported unearned 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.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investments pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

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

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, 2015 balance of governmental activities capital assets includes approximately 1.43 percent for which the costs were determined by estimates of the original costs. The total December 31, 2015 balance of business-type capital assets are all valued at original cost. 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, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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 financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	All Land	----N/A-----	----N/A-----
Improvements other than buildings	\$ 25,000	Straight-line	10-25 years
Buildings	\$ 50,000	Straight-line	20-150 years
Machinery and Equipment	\$ 5,000	Straight-line	5-50 years
Infrastructure	\$ 25,000	Straight-line	20-50 years
Utility Property and Improvements	\$ 25,000	Straight-line	10-50 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as 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 financial statements.

f. Long-Term Liabilities:

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

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

g. 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.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported

as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. 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.

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

k. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The exception to this is in the Library and Rubble Site Funds where they use unrestricted net position prior to use of restricted net position.

l. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Municipal Commission.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as insurance deposit purposes.
- Amount legally or contractually required to be maintained intact such as cemetery perpetual care purposes.

The Municipality uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. The exception to this is in the Library and Rubble Site Funds where they use unrestricted fund balance prior to use of restricted fund balance. Additionally, the Government would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The Municipality *does not* have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund

Historic Restoration and Preservation Fund
 Revolving Loan Fund

Revenue Source

State Shared Gaming Revenue
 Repayment of Historic Preservation loans

A schedule of fund balances is provided as follows:

**MUNICIPALITY OF DEADWOOD
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	<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>
Fund Balance:					
Nonspendable:					
Cemetery Perpetual Care Purposes	\$	\$	\$	\$ 50,000.00	\$ 50,000.00
Public Assurance Alliance Reserve	125,910.55				125,910.55
Restricted for:					
Debt Service Purposes	330,200.00	2,550,825.89		153,938.08	3,034,963.97
Historic Preservation Purposes		12,249,800.46			12,249,800.46
Revolving Loan Purposes			6,675,967.86		6,675,967.86
Library Purposes				78,704.16	78,704.16
Recreational and Promotional Purposes				1,199,531.67	1,199,531.67
Business Improvement Purposes				517,348.05	517,348.05
Rubble Site Purposes				95,750.64	95,750.64
Cemetery Perpetual Care Purposes				31,219.12	31,219.12
Assigned:					
Applied to Next Year's Budget	2,974,327.00				2,974,327.00
Capital outlay Accumulation Purposes	168,509.00				168,509.00
Unassigned	5,847,825.95			(17,198.73)	5,830,627.22
Total Fund Balances	<u>\$ 9,446,772.50</u>	<u>\$ 14,800,626.35</u>	<u>\$ 6,675,967.86</u>	<u>\$ 2,109,292.99</u>	<u>\$ 33,032,659.70</u>

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2015, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

St. Ambrose Capital Project Fund	\$ 17,198.73
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The Governing Board plans to take the following actions to address the deficit fund balance/deficit net position:

Contractor pay application was submitted in January 2016 for work done in 2015. Board will make every effort to determine work in progress and budget accordingly.

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, 2015, the Municipality had the following investments:

Investments	Credit Rating	Maturities	Fair Value
U.S. Treasury Notes	N/A	4/30/2016	\$ 85,986.24
U.S. Treasury Notes	N/A	10/31/2016	831,651.70
U.S. Treasury Notes	N/A	12/31/2017	150,009.44
U.S. Treasury Notes	N/A	09/15/2018	320,780.99
U.S. Treasury Notes	N/A	10/31/2018	562,386.33
Subtotals			1,950,814.70
Mutual Funds:			
Federated Treasury Obligation Service Fund	AAAM, Aaa-mf		12,211.19
Total Investments			<u>\$ 1,963,025.89</u>

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:

U.S. Treasury Notes	99%
Federated Treasury Obligation Service Fund	1%

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 deposits and investments to the General Fund, including investment income generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18, except for the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

4. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 3,295,463.97	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. The Municipality expects all receivables to be collected within one year except for \$3,263,117.49 of notes receivables related to historic restoration and preservation loans reported in the Special Revenue Fund Revolving Loan Fund. The amount is reported net of allowances, which is \$193,146.22.

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, 2015 is as follows:

	Balance January 1, 2015	Increases	Decreases	Ending Balance December 31, 2015
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,925,888.08	\$	\$	\$ 1,925,888.08
Easement	1,700,000.00			1,700,000.00
Construction in Progress	1,152,615.04	947,737.20		2,100,352.24
Total Capital Assets not being Depreciated	<u>4,778,503.12</u>	<u>947,737.20</u>	<u>0.00</u>	<u>5,726,240.32</u>
Capital Assets being Depreciated:				
Buildings	27,439,509.97	1,330,763.87	(160,849.00)	28,609,424.84
Improvements Other Than Buildings	22,771,485.77	388,612.40		23,160,098.17
Machinery and Equipment	4,624,072.20	106,406.56	(127,104.04)	4,603,374.72
Library Books	265,846.42	7,392.00	(7,025.35)	266,213.07
Total Capital Assets being Depreciated	<u>55,100,914.36</u>	<u>1,833,174.83</u>	<u>(294,978.39)</u>	<u>56,639,110.80</u>
TOTAL CAPITAL ASSETS	<u>\$ 59,879,417.48</u>	<u>\$ 2,780,912.03</u>	<u>\$ (294,978.39)</u>	<u>\$ 62,365,351.12</u>
Less Accumulated Depreciation for:				
Buildings	\$ (2,395,885.17)	\$ (203,604.91)	\$ 4,021.20	\$ (2,595,468.88)
Improvements Other Than Buildings	(12,382,660.54)	(706,098.52)		(13,088,759.06)
Machinery and Equipment	(2,346,290.86)	(234,749.99)	111,589.59	(2,469,451.26)
Library Books	(236,459.21)	(7,305.60)	7,025.35	(236,739.46)
Total Accumulated Depreciation	<u>(17,361,295.78)</u>	<u>(1,151,759.02)</u>	<u>122,636.14</u>	<u>(18,390,418.66)</u>
Total Capital Assets being Depreciated, Net	<u>37,739,618.58</u>	<u>681,415.81</u>	<u>(172,342.25)</u>	<u>38,248,692.14</u>
Governmental Activity Capital Assets, Net	<u>\$ 42,518,121.70</u>	<u>\$ 1,629,153.01</u>	<u>\$ (172,342.25)</u>	<u>\$ 43,974,932.46</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 40,805.61
Public Safety	69,173.45
Public Works	759,821.06
Culture and Recreation – Books	7,305.60
Culture and Recreation	274,653.30
Total Depreciation Expense – Governmental Activities	<u>\$ 1,151,759.02</u>

	Balance January 1, 2015	Increases	Decreases	Ending Balance December 31, 2015
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 229,865.21	\$ ** 798,561.31	\$	\$ 229,865.21
Construction in Progress				798,561.31
Total Capital Assets not being Depreciated	229,865.21	798,561.31	0.00	1,028,426.52
Capital Assets being Depreciated:				
Buildings	120,807.65			120,807.65
Improvements Other Than Buildings	23,083,451.38		(8,525.00)	23,074,926.38
Machinery and Equipment	1,304,962.62	45,290.62	(24,974.32)	1,325,278.92
Total Capital Assets being Depreciated	24,509,221.65	45,290.62	(33,499.32)	24,521,012.95
TOTAL CAPITAL ASSETS	\$ 24,739,086.86	\$ 843,851.93	\$ (33,499.32)	\$ 25,549,439.47
Less Accumulated Depreciation for:				
Buildings	\$ (7,584.50)	\$ (805.44)	\$	\$ (8,389.94)
Improvements Other Than Buildings	(8,702,239.18)	(540,013.77)	8,525.00	(9,233,727.95)
Machinery and Equipment	(1,028,471.07)	(81,231.60)	17,973.02	(1,091,729.65)
Total Accumulated Depreciation	(9,738,294.75)	(622,050.81)	26,498.02	(10,333,847.54)
Total Capital Assets being Depreciated, Net	14,770,926.90	(576,760.19)	(7,001.30)	14,187,165.41
Business-Type Activity Capital Assets, Net	\$ 15,000,792.11	\$ 221,801.12	\$ (7,001.30)	\$ 15,215,591.93

** = Amount includes the prior period adjustment to include construction in progress in prior year in the amount of \$41,025.83.

Depreciation expense was charged to functions as follows:

Business-Type Activities:		
Water Fund		\$ 129,143.25
Sewer Fund		76,251.66
Mt. Moriah Fund		43,349.76
Parking and Transportation Fund		70,642.38
Broadway Parking Ramp Fund		302,663.76
Total Depreciation Expense – Business-Type Activities		\$ 622,050.81

Construction Work in Progress at December 31, 2015 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2015	Committed Balance
Lower Main Visitor Project	\$ 6,180,000.00	\$ 313,195.50	\$ 5,866,804.50
Fire Truck	260,926.00	66,292.77	194,633.23
Gordon Park	100,000.00	66,300.00	33,700.00
Wayfinding	400,000.00	18,846.23	381,153.77
Powerhouse Park	200,000.00	14,002.15	185,997.85
South Gateway Project	752,480.00	127,915.98	624,564.02
Saint Ambrose	2,000,000.00	1,569,813.77	430,186.23
Total	\$ 9,893,406.00	\$ 2,176,366.40	\$ 7,717,039.60

8. LONG TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2015	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds and Certificates Payable:					
Sales Tax Revenue	\$ 3,015,000.00	\$	\$ (145,000.00)	\$ 2,870,000.00	\$ 150,000.00
Certificates of Participation	16,275,000.00	8,950,000.00	(12,105,000.00)	13,120,000.00	2,420,000.00
Tax Increment Financing	5,563,653.85		(410,230.65)	5,153,423.20	393,043.95
Other Long-Term Liabilities	19,444.28		(19,444.28)	0.00	0.00
Total Debt	24,873,098.13	8,950,000.00	(12,679,674.93)	21,143,423.20	2,963,043.95
Accrued Compensated Absences	158,693.34	2,513.45		161,206.79	89,686.49
Total Governmental Activities	25,031,791.47	8,952,513.45	(12,679,674.93)	21,304,629.99	3,052,730.44
Business-Type Activities:					
Bonds and Certificates Payable:					
Revenue Bonds-Parking Ramp	1,480,000.00		(400,000.00)	1,080,000.00	405,000.00
Accrued Compensated Absences	25,365.62		(1,683.40)	23,682.22	13,929.82
Total Business-Type Activities	1,505,365.62	0.00	(401,683.40)	1,103,682.22	418,929.82
Total Primary Government	\$ 26,537,157.09	\$ 8,952,513.45	\$ (13,081,358.33)	\$ 22,408,312.21	\$ 3,471,660.26

In 2015 the Municipality issued \$8,950,000.00 in Certificates of Participation bonds with an average interest rate of 1% to 2.25% to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2005	Certificates of Participation	4.75% to 5%	\$ 4,340,000.00
2006	Certificates of Participation	4.00% to 5%	\$ 5,965,000.00

The entire proceeds of the refunding issue in the amount of \$8,950,000.00 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Municipality's Long Term-Debt records.

The Municipality refunded the debt to reduce its total debt service payments over the next six years by \$802,262.50 and to obtain an economic gain of \$654,212.69.

Debt payable at December 31, 2015 is comprised of the following:

Revenue Bonds:

2009 B, December 1, 2028, 3% to 6.25%, Payments made by General Fund \$ 2,870,000.00

Parking Revenue Refunding Bonds Series 2011, February 1, 2018, 1% to 2.75%, Payments made by Broadway Parking Ramp Fund \$ 1,080,000.00

Certificates of Participation:

2012 Series, November 1, 2019, 1.10% to 3.00%, Payments made by Historic Preservation and Restoration Fund \$ 4,170,000.00

2015 Series, November 1, 2020, 3.00%, Payments made by
Historic Preservation and Restoration Fund \$ 8,950,000.00

Tax Increment Lease:

Convention Center Lease/Purchase, December 1, 2024, 6%, Payments
Made by Lodge at Deadwood TIF #6 Fund \$ 2,301,136.51

Tax Increment Notes:

First Gold Note, June 1, 2017, 6% to 7.5%, Payments made by First
Gold TIF #7 Fund \$ 37,855.99

Stage Run Note, 5.5%, Payments made by Stage Run TIF #8 Fund \$ 1,576,128.96

Optima LLC Note, Payments made by Optima LLC TIF #9 Fund \$ 1,238,301.74

Compensated Absences:

Vacation, sick leave, comp time payable from various funds.
Payments made by fund to which payroll expenditures are charged. \$ 184,889.01

The annual requirements to amortize all debt outstanding as of December 31, 2015, except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2015

Year Ending Dec. 31,	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2016	\$ 555,000.00	\$ 197,360.00	\$ 2,420,000.00	\$ 457,537.50
2017	575,000.00	179,330.00	2,555,000.00	320,050.00
2018	430,000.00	161,175.00	2,635,000.00	243,400.00
2019	180,000.00	147,400.00	2,715,000.00	164,350.00
2020	190,000.00	136,600.00	2,795,000.00	83,850.00
2021-2025	1,145,000.00	494,350.00		
2026-2030	875,000.00	111,562.50		
Total	\$ 3,950,000.00	\$ 1,427,777.50	\$ 13,120,000.00	\$ 1,269,187.50

Year Ending Dec. 31,	Tax Increment Debt		Totals	
	Principal	Interest	Principal	Interest
2016	\$ 393,043.95	\$ 222,126.80	\$ 3,368,043.95	\$ 877,024.30
2017	377,729.62	198,165.54	3,507,729.62	697,545.54
2018	401,291.94	174,603.22	3,466,291.94	579,178.22
2019	426,329.45	149,565.71	3,321,329.45	461,315.71
2020	452,774.17	123,120.99	3,437,774.17	343,570.99
2021-2025	2,517,023.30	317,109.02	3,662,023.30	811,459.02
2026-2030	543,042.50	126,281.70	1,418,042.50	237,844.20
2031	42,188.27	1,528.38	42,188.27	1,528.38
Total	\$ 5,153,423.20	\$ 1,312,501.36	\$ 22,223,423.20	\$ 4,009,466.36

9. NOTES RECEIVABLE

The Governmental Funds Balance Sheet includes Notes Receivable in the amount of \$3,263,117.49 in the Revolving Loan Fund. These outstanding balances are due to the Municipality from various parties for historic preservation loans. Included in this balance is \$1,778,872.99 due on the Martin Mason property. During the year the Municipality determined the amount of notes receivable that were determined to be uncollectible or qualified to be written off to be \$62,768.96. This has been reported as a Conservation and Development - Uncollectable Loan Write-Off in the financial statements.

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2015 was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Major Purposes:		
Historic Preservation Purposes	\$ 12,162,842.94	\$
Revolving Loan Purposes	6,675,967.86	
Debt Service Purposes	922,263.97	381,754.17
SDRS Pension Purposes	614,969.78	101,277.34
Insurance Reserve Purposes	<u>125,910.55</u>	
Permanently Restricted Purposes:		
Cemetery Perpetual Care – Nonexpendable	50,000.00	
Cemetery Perpetual Care – Expendable	<u>31,219.12</u>	
Other Purposes:		
Recreational and Promotional Purposes	1,192,260.19	
Business Improvement District Purposes	517,348.05	
Rubble Site Purposes	95,750.64	
Library Purposes	<u>72,099.18</u>	
Total Other Purposes	<u>1,877,458.06</u>	
Total Restricted Net Position	<u>\$ 22,460,632.28</u>	<u>\$ 483,031.51</u>

These balances are restricted due to federal grant and statutory requirements.

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015 were as follows:

Transfers From:	Transfers To:					Total
	General Fund	Water Fund	Parking and Transportation Fund	Parking Ramp Fund	Other Governmental Funds	
Major Funds:						
General Fund	\$	\$	\$	\$	\$ 46,002.00	\$ 46,002.00
Historic Restoration and Preservation	1,368,418.68	160,814.00	117,000.00		400,000.00	2,046,232.68
Revolving Loan Fund	6,260.08					6,260.08
Water Fund	1,788.54					1,788.54
Sewer Fund	70.89					70.89
Mt. Moriah Fund	951.76					951.76
Parking and Transportation Fund	113.72					113.72
Other Governmental Funds	35,641.38		52,000.00	185,885.00		273,526.38
Total	\$ 1,413,245.05	\$ 160,814.00	\$ 169,000.00	\$ 185,885.00	\$ 446,002.00	\$ 2,374,946.05

The transfers to the General Fund were to help finance operations of the Municipality impacted by gaming and to transfer interest earnings to the General Fund. The transfer to the Water Fund was to help finance operations impacted by gaming. The transfer to the Parking and Transportation Fund was to help finance the purchase of a new trolley and for trolley operating costs. The transfer from Other Governmental Funds to the Parking Ramp fund was to assist in the operations of the Broadway Parking structure. The transfers to Other Governmental Funds were to help finance operations of the library and rubble site. The transfers from Historic Restoration and Preservation Fund to Other Governmental Funds were to finance the cost of the St. Ambrose renovations.

12. PRIOR PERIOD ADJUSTMENTS

The Municipality implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Net Position January 1, 2015, as previously reported	\$ 53,027,012.93	\$ 16,653,835.53	\$ 69,680,848.46
Restatement for pension accounting:			
Net Pension Asset	821,504.73	135,290.90	956,795.63
Pension related Deferred Outflows of Resources	667,325.59	109,899.65	777,225.24
Pension related Deferred Inflows of Resources	(951,440.97)	(156,689.67)	(1,108,130.64)
Net Position January 1, 2015, as restated	<u>\$ 53,564,402.28</u>	<u>\$ 16,742,336.41</u>	<u>\$ 70,306,738.69</u>

Beginning Net Position for the Enterprise Funds was also restated as a result of implementing this accounting standard. The Beginning Net Position for the Water Fund was restated \$41,993.67 and the Parking and Transportation Fund was restated \$46,507.21 for a total Enterprise Funds Beginning Net Position restatement of \$88,500.88.

The Municipality also made a prior period adjustment to the Business-Type Activities and Parking and Transportation Fund (major enterprise fund), in the amount of \$41,025.83 to properly reflect expenses incurred in the prior year that were related to a capital asset construction which should have been reflected as a construction in progress capital asset rather than being expensed.

13. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. 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 calendar years ended December 31, 2015, 2014, and 2013 were \$151,016.63, \$142,591.07, and \$136,333.64, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period and reported by the Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 14,493,521.71
Less proportionate share of total pension liability	<u>13,923,104.83</u>
Proportionate share of net pension liability (asset)	<u>\$ (570,416.88)</u>

At December 31, 2015, the Municipality reported a liability (asset) of \$(570,416.88) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was .13449150%, which is an increase of .0016879% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$(86,666.27). At December 31, 2015, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$ 116,795.45	\$
Changes in assumption	452,304.69	
Net Difference between projected and actual earnings on pension plan investments	348,458.00	841,661.02
Changes in proportion and difference between Municipality contributions and proportionate share of contributions		5,457.23
Municipality contributions subsequent to the measurement date	<u>75,390.35</u>	
TOTAL	<u>\$ 992,948.49</u>	<u>\$ 847,118.25</u>

\$75,390.35 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended Dec. 31,	
2016	\$ 27,028.89
2017	27,028.89
2018	(72,715.09)
2019	94,554.43
2020	
Thereafter	
TOTAL	\$ 75,897.12

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 1,435,732.90	\$ (570,416.88)	\$ (2,206,259.26)

Pension Plan Fiduciary Net Position:

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

14. SIGNIFICANT CONTINGENCIES-LITIGATION

At December 31, 2015, 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 South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the Municipality as a result of the potential outcome of these lawsuits.

15. 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, 2015, 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
 Officials Liability

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000.00 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, 2015, 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, \$500 - \$5,000 deductible for officials liability, \$1,000 for vehicle comprehensive coverage, \$2,500 for vehicle collision coverage, \$500-\$1,000 for property damage coverage (real, personal property, and boiler and equipment breakdown), and \$500 for property damage (miscellaneous equipment, tools, and electronic data processing equipment), except for damage from flood or earthquake, which is \$25,000.00.

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 program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The

pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The 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, 2015, one claim was filed for unemployment benefits in the amount of \$474.00. At December 31, 2015, two claims had been filed. It is estimated, based upon historical trends that these claims will result in the future payment of unemployment benefits in the amount of approximately \$3,043.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	\$ 986,825.00	\$ 986,825.00	\$ 981,224.12	\$ (5,600.88)
General Sales and Use Taxes	2,000,000.00	2,000,000.00	2,888,282.14	888,282.14
Amusement Taxes	500.00	500.00	1,008.00	508.00
Penalties and Interest on Delinquent Taxes	2,000.00	2,000.00	1,872.37	(127.63)
Licenses and Permits	104,150.00	104,150.00	107,456.60	3,306.60
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	51,852.35	51,852.35
State Grants	0.00	0.00	1,187.00	1,187.00
State Shared Revenue:				
Bank Franchise Tax	5,300.00	5,300.00	6,756.06	1,456.06
Liquor Tax Reversion	7,000.00	7,000.00	9,933.75	2,933.75
Motor Vehicle Licenses (5%)	15,000.00	15,000.00	20,803.47	5,803.47
Local Government Highway and Bridge Fund	25,000.00	25,000.00	34,279.76	9,279.76
County Shared Revenue:				
County Highway and Bridge Reserve Tax (25%)	5,000.00	5,000.00	4,533.64	(466.36)
Charges for Goods and Services:				
General Government	28,500.00	28,500.00	36,789.80	8,289.80
Public Safety	2,300.00	2,300.00	230.85	(2,069.15)
Sanitation	84,000.00	84,000.00	79,764.48	(4,235.52)
Culture and Recreation	0.00	0.00	564.13	564.13
Cemetery	2,000.00	2,000.00	2,750.00	750.00
Miscellaneous Revenue:				
Investment Earnings	15,000.00	15,000.00	16,175.10	1,175.10
Other	28,600.00	28,600.00	42,070.07	13,470.07
Total Revenues	3,311,175.00	3,311,175.00	4,287,533.69	976,358.69
Expenditures:				
General Government:				
Legislative	335,029.00	335,029.00	318,199.08	16,829.92
Elections	1,000.00	3,213.00	3,212.63	0.37
Financial Administration	370,880.00	370,880.00	353,482.15	17,397.85
Other	1,222,398.00	1,312,953.00	1,102,478.41	210,474.59
Public Safety:				
Police	1,030,347.00	1,030,347.00	962,835.13	67,511.87
Fire	482,689.00	482,689.00	199,797.73	282,891.27
Building Inspection	75,458.00	76,958.00	69,516.76	7,441.24
Public Works:				
Highways and Streets	895,432.00	895,432.00	744,179.19	151,252.81
Sanitation	84,000.00	84,000.00	77,410.54	6,589.46
Cemeteries	52,500.00	52,500.00	14,084.00	38,416.00
Health and Welfare:				
Health	7,000.00	7,000.00	7,995.97	(995.97)
Culture and Recreation:				
Parks	836,412.00	836,412.00	715,458.94	120,953.06
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	107,921.00	107,921.00	100,711.54	7,209.46
Debt Service	333,563.00	333,563.00	327,962.50	5,600.50
Total Expenditures	5,834,629.00	5,928,897.00	4,997,324.57	931,572.43
Excess of Revenues Over (Under) Expenditures	(2,523,454.00)	(2,617,722.00)	(709,790.88)	1,907,931.12

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2015
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Other Financing Sources (Uses):				
Transfers In	1,357,356.00	1,357,356.00	1,413,245.05	55,889.05
Transfers Out	(46,102.00)	(46,102.00)	(46,002.00)	100.00
Sale of Municipal Property	0.00	0.00	12,336.79	12,336.79
Compensation for Loss or Damage to Capital Assets	0.00	0.00	78,149.44	78,149.44
Total Other Financing Sources (Uses)	<u>1,311,254.00</u>	<u>1,311,254.00</u>	<u>1,457,729.28</u>	<u>146,475.28</u>
Net Change in Fund Balance	(1,212,200.00)	(1,306,468.00)	747,938.40	2,054,406.40
Fund Balance - Beginning	<u>8,698,834.10</u>	<u>8,698,834.10</u>	<u>8,698,834.10</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 7,486,634.10</u>	<u>\$ 7,392,366.10</u>	<u>\$ 9,446,772.50</u>	<u>\$ 2,054,406.40</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
HISTORIC RESTORATION AND PRESERVATION FUND
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental Revenue:				
Gaming Proceeds	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,072,168.23	\$ 72,168.23
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	49,918.73	49,918.73
Other	0.00	0.00	684.30	684.30
Total Revenues	<u>7,000,000.00</u>	<u>7,000,000.00</u>	<u>7,122,771.26</u>	<u>122,771.26</u>
Expenditures:				
Culture and Recreation:				
Historical Preservation	3,513,540.00	4,868,493.44	4,465,074.47	403,418.97
Debt Service	3,496,732.00	12,900,166.25	12,949,400.94	(49,234.69)
Total Expenditures	<u>7,010,272.00</u>	<u>17,768,659.69</u>	<u>17,414,475.41</u>	<u>354,184.28</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,272.00)</u>	<u>(10,768,659.69)</u>	<u>(10,291,704.15)</u>	<u>476,955.54</u>
Other Financing Sources (Uses):				
Long-Term Debt Issued	0.00	8,950,000.00	8,950,000.00	0.00
Premium of Bonds Issued	0.00	0.00	306,544.30	306,544.30
Transfers Out	(2,000,170.00)	(2,000,170.00)	(2,046,232.68)	(46,062.68)
Total Other Financing Sources (Uses)	<u>(2,000,170.00)</u>	<u>6,949,830.00</u>	<u>7,210,311.62</u>	<u>260,481.62</u>
Net Change in Fund Balance	(2,010,442.00)	(3,818,829.69)	(3,081,392.53)	737,437.16
Fund Balance - Beginning	<u>17,882,018.88</u>	<u>17,882,018.88</u>	<u>17,882,018.88</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 15,871,576.88</u>	<u>\$ 14,063,189.19</u>	<u>\$ 14,800,626.35</u>	<u>\$ 737,437.16</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
REVOLVING LOAN FUND
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	\$ 63,000.00	\$ 63,000.00	\$ 119,425.76	\$ 56,425.76
Other	0.00	0.00	11,937.77	11,937.77
Total Revenues	<u>63,000.00</u>	<u>63,000.00</u>	<u>131,363.53</u>	<u>68,363.53</u>
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	130,000.00	219,361.20	143,768.15	75,593.05
Uncollectible Loan Write-Off	0.00	0.00	62,768.96	(62,768.96)
Total Expenditures	<u>130,000.00</u>	<u>219,361.20</u>	<u>206,537.11</u>	<u>12,824.09</u>
Excess of Revenues Over (Under) Expenditures	(67,000.00)	(156,361.20)	(75,173.58)	81,187.62
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(6,260.08)	(6,260.08)
Net Change in Fund Balance	(67,000.00)	(156,361.20)	(81,433.66)	74,927.54
Fund Balance - Beginning	<u>6,757,401.52</u>	<u>6,757,401.52</u>	<u>6,757,401.52</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 6,690,401.52</u>	<u>\$ 6,601,040.32</u>	<u>\$ 6,675,967.86</u>	<u>\$ 74,927.54</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.

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

The Municipality did not encumber any amounts at December 31, 2015.

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. Expenditures in Excess of Appropriations:

The following represents the overdrafts of the expenditures compared to appropriations at the legal level of budgetary control for the General Fund and for each major Special Revenue Fund.

	Year Ended <u>12/31/2015</u>
<u>General Fund:</u>	
<u>Activity:</u>	
Health and Welfare – Health	\$ 995.97

The General Fund budget overdraft was due to unanticipated costs incurred for department.

<u>Historic Restoration and Preservation Fund:</u>	
<u>Activity:</u>	
Debt Service	\$ 49,234.69

The Historic Restoration and Preservation Fund budget overdraft was due to additional costs incurred for issuance of refunding debt transaction.

Revolving Loan Fund:

Activity:

Conservation and Development – Uncollectible Loan Write Off \$ 10,946.96

The Revolving Loan Fund budget overdraft was the result of the accounting entry that was required by USGAAP to record the write-off of the revolving loans between the Municipality and some individuals who have met the guidelines to have their loans forgiven.

Note 3. GAAP/Budgetary Accounting Basis Differences:

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

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS**

South Dakota Retirement System

*Last 10 Fiscal Years

	2015	2014
Contractually required contribution	\$ 151,016.60	\$ 142,591.07
Contributions in relation to the contractually required contribution	151,016.60	142,591.07
Contribution deficiency (excess)	\$ 0.00	\$ 0.00
Municipality's covered-employee payroll	\$ 2,314,430.41	\$ 2,166,283.71
Contributions as a percentage of covered-employee payroll	6.53%	6.58%

* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DEADWOOD
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET)**

South Dakota Retirement System

*Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>
Municipality's proportion of the net pension liability (asset)	0.1344915%	0.1328036%
Municipality's proportionate share of net pension liability (asset)	\$ (570,416.88)	\$ (956,795.63)
Municipality's covered-employee payroll	\$ 2,252,572.43	\$ 2,117,167.30
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.32%	45.19%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.1%	107.3%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

MUNICIPALITY OF DEADWOOD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Municipality's Contributions

Changes of benefit terms:

No significant changes.

Changes of assumptions:

No significant changes.