

**MUNICIPALITY OF DEADWOOD**

**AUDIT REPORT**

**For the Year Ended December 31, 2011**

**MUNICIPALITY OF DEADWOOD  
MUNICIPAL OFFICIALS  
December 31, 2011**

**Governing Board/Municipal Commission Members:**

**Francis Toscana  
Georgeann Silvernail  
Gary Todd  
Joe Peterson  
Jim Van Den Eykel**

**Municipal Finance Officer:**

**Mary Jo Nelson**

**Municipal Attorney:**

**Jason Campbell**

MUNICIPALITY OF DEADWOOD  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

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

Governing Board  
Municipality of Deadwood  
Deadwood, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Deadwood, South Dakota (Municipality), as of December 31, 2011 and for the year then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 22, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

*A 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.

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

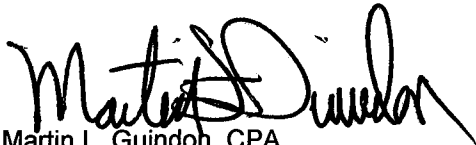
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Municipality in a separate letter dated October 22, 2012.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Municipality of Deadwood, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Martin L. Guindoh". The signature is stylized and cursive.

Martin L. Guindoh, CPA  
Auditor General

October 22, 2012

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

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, 2011 and for the year then ended, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

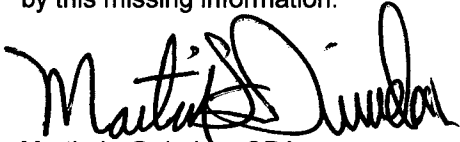
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Deadwood, South Dakota as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Martin L. Guindon, CPA  
Auditor General

October 22, 2012

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF NET ASSETS**  
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 13,929,493.00	\$ 1,326,145.31	\$ 15,255,638.31
Investments	17,055,562.37	1,601,273.06	18,656,835.43
Accounts Receivable, Net	3,370,167.88	55,167.39	3,425,335.27
Restricted Assets:			
Cash and Cash Equivalents	153,082.93		153,082.93
Investments	3,093,622.38	260,500.00	3,354,122.38
Deposits	125,910.55		125,910.55
Capital Assets:			
Land and Construction in Progress	6,510,503.75	229,865.21	6,740,368.96
Other Capital Assets, Net of Depreciation	34,277,429.10	15,436,079.80	49,713,508.90
<b>TOTAL ASSETS</b>	<b>\$ 78,515,771.96</b>	<b>\$ 18,909,030.77</b>	<b>\$ 97,424,802.73</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 464,971.81	\$ 29,231.92	\$ 494,203.73
Other Current Liabilities	31,029.49	16,779.94	47,809.43
Noncurrent Liabilities:			
Due Within One Year	2,188,902.58	354,257.76	2,543,160.34
Due in More than One Year	26,750,459.30	2,273,066.71	29,023,526.01
<b>TOTAL LIABILITIES</b>	<b>29,435,363.18</b>	<b>2,673,336.33</b>	<b>32,108,699.51</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	19,585,205.19	13,321,445.01	32,906,650.20
Restricted for:			
Historic Preservation Purposes	15,686,818.03		15,686,818.03
Revolving Loan Purposes	6,663,684.22		6,663,684.22
Debt Service Purposes	452,104.76	320,775.54	772,880.30
Capital Projects Purposes	419,359.90		419,359.90
Insurance Reserve Purposes	125,910.55		125,910.55
Permanently Restricted Purposes-Unexpendable	50,000.00		50,000.00
Permanently Restricted Purposes-Expendable	25,369.12		25,369.12
Other Purposes	2,501,875.77		2,501,875.77
Broadway Parking Ramp Purposes		366,973.88	366,973.88
Unrestricted	3,570,081.24	2,226,500.01	5,796,581.25
<b>TOTAL NET ASSETS</b>	<b>49,080,408.78</b>	<b>16,235,694.44</b>	<b>65,316,103.22</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 78,515,771.96</b>	<b>\$ 18,909,030.77</b>	<b>\$ 97,424,802.73</b>

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

**MUNICIPALITY OF DEADWOOD  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 1,277,816.77	\$ 116,572.63	\$	\$ 558,393.00	\$ (602,851.14)	\$	\$ (602,851.14)
Public Safety	1,116,308.74	44,576.36	28,098.76		(1,043,633.62)		(1,043,633.62)
Public Works	1,395,194.67	131,625.94	42,815.10	2,048.53	(1,218,705.10)		(1,218,705.10)
Health and Welfare	5,361.70				(5,361.70)		(5,361.70)
Culture and Recreation	3,642,353.40	88,527.47	373,851.61		(3,179,974.32)		(3,179,974.32)
Conservation and Development	2,960,054.21	10,025.00			(2,950,029.21)		(2,950,029.21)
*Interest on Long-Term Debt	1,537,274.25				(1,537,274.25)		(1,537,274.25)
<b>Total Governmental Activities</b>	<b>11,934,363.74</b>	<b>391,327.40</b>	<b>444,765.47</b>	<b>560,441.53</b>	<b>(10,537,829.34)</b>	<b>0.00</b>	<b>(10,537,829.34)</b>
Business-Type Activities:							
Water	727,723.19	616,744.94				(110,978.25)	(110,978.25)
Sewer	66,948.96	32,140.05				(34,808.91)	(34,808.91)
Mt. Moriah	106,155.74	83,540.25				(22,615.49)	(22,615.49)
Parking and Transportation	927,581.98	491,465.21				(436,116.77)	(436,116.77)
Broadway Parking Ramp	851,171.17	570,831.83				(280,339.34)	(280,339.34)
<b>Total Business-Type Activities</b>	<b>2,679,581.04</b>	<b>1,794,722.28</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(884,858.76)</b>	<b>(884,858.76)</b>
<b>Total Primary Government</b>	<b>\$ 14,613,944.78</b>	<b>\$ 2,186,049.68</b>	<b>\$ 444,765.47</b>	<b>\$ 560,441.53</b>	<b>(10,537,829.34)</b>	<b>(884,858.76)</b>	<b>(11,422,688.10)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					1,281,460.71		1,281,460.71
Sales Taxes					3,036,156.70		3,036,156.70
Business Occupation Tax					1,058,400.64		1,058,400.64
State Shared Revenues					7,158,240.32		7,158,240.32
Grants and Contributions not Restricted to Specific Programs						132,000.00	132,000.00
Unrestricted Investment Earnings					298,211.48	25,465.65	323,677.13
Miscellaneous Revenue					153,099.53	29,146.43	182,245.96
Transfers					(263,142.49)	263,142.49	0.00
<b>Total General Revenues and Transfers</b>					<b>12,722,426.89</b>	<b>449,754.57</b>	<b>13,172,181.46</b>
<b>Change in Net Assets</b>					<b>2,184,597.55</b>	<b>(435,104.19)</b>	<b>1,749,493.36</b>
<b>Net Assets - Beginning</b>					<b>46,895,811.23</b>	<b>16,670,798.63</b>	<b>63,566,609.86</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 49,080,408.78</b>	<b>\$ 16,235,694.44</b>	<b>\$ 65,316,103.22</b>

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

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

**MUNICIPALITY OF DEADWOOD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2011**

	<u>General Fund</u>	<u>Historic Restoration and Preservation Fund</u>	<u>Revolving Loan Fund</u>	<u>Days of 76 Museum Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,553,082.84	\$ 7,465,926.71	\$ 1,534,610.87	\$ 488,234.19	\$ 1,887,638.39	\$ 13,929,493.00
Investments	4,305,863.13	10,098,232.91	1,901,466.33		750,000.00	17,055,562.37
Taxes Receivable--Delinquent	14,571.11					14,571.11
Accounts Receivable, Net	9,451.42				495.00	9,946.42
Special Assessments Receivable					29,021.03	29,021.03
Notes Receivable (See Note 9)			3,215,627.27			3,215,627.27
Due from State Governments	50,837.24	30,691.69			7,493.37	89,022.30
Interest and Late Fees Receivable (See Note 9)			11,979.75			11,979.75
Restricted Cash and Cash Equivalents					153,082.93	153,082.93
Restricted Investments	330,200.00	2,763,422.38				3,093,622.38
Deposits	125,910.55					125,910.55
<b>TOTAL ASSETS</b>	<u><u>\$ 7,389,916.29</u></u>	<u><u>\$ 20,358,273.69</u></u>	<u><u>\$ 6,663,684.22</u></u>	<u><u>\$ 488,234.19</u></u>	<u><u>\$ 2,827,730.72</u></u>	<u><u>\$ 37,727,839.11</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	\$ 61,598.78	\$ 246,863.99	\$	\$ 148,317.69	\$ 8,191.35	\$ 464,971.81
Accrued Wages Payable	25,423.40	2,287.60			3,318.49	31,029.49
Deferred Revenue	14,571.11					14,571.11
<b>Total Liabilities</b>	<u>101,593.29</u>	<u>249,151.59</u>	<u>0.00</u>	<u>148,317.69</u>	<u>11,509.84</u>	<u>510,572.41</u>
Fund Balances: (See Note 1. I.)						
Nonspendable	125,910.55		3,215,627.27		50,000.00	3,391,537.82
Restricted	330,200.00	20,109,122.10	3,448,056.95	339,916.50	2,698,220.88	26,925,516.43
Assigned	509,303.00				68,000.00	577,303.00
Unassigned	6,322,909.45					6,322,909.45
<b>Total Fund Balances</b>	<u>7,288,323.00</u>	<u>20,109,122.10</u>	<u>6,663,684.22</u>	<u>339,916.50</u>	<u>2,816,220.88</u>	<u>37,217,266.70</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 7,389,916.29</u></u>	<u><u>\$ 20,358,273.69</u></u>	<u><u>\$ 6,663,684.22</u></u>	<u><u>\$ 488,234.19</u></u>	<u><u>\$ 2,827,730.72</u></u>	<u><u>\$ 37,727,839.11</u></u>

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

**MUNICIPALITY OF DEADWOOD**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2011**

Total Fund Balances - Governmental Funds \$ 37,217,266.70

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 40,787,932.85

Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds. (28,939,361.88)

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. 14,571.11

Net Assets - Governmental Funds \$ 49,080,408.78

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, 2011**

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan Fund	Days of 76 Museum Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes:						
General Property Taxes	\$ 807,303.95	\$	\$	\$	\$ 470,476.96	\$ 1,277,780.91
General Sales and Use Taxes	2,500,830.47				535,326.23	3,036,156.70
Business Occupation Taxes					1,058,400.64	1,058,400.64
Amusement Taxes	720.00					720.00
Penalties and Interest on Delinquent Taxes	2,003.44					2,003.44
Licenses and Permits	152,719.49					152,719.49
Intergovernmental Revenue:						
Federal Grants		87,260.18		218,614.19		305,874.37
State Grants	2,975.00				1,300.00	4,275.00
State Shared Revenue:						
Bank Franchise Tax	3,288.24					3,288.24
Liquor Tax Reversion	6,241.63					6,241.63
Motor Vehicle Licenses (5%)	11,753.26					11,753.26
Local Government Highway and Bridge Fund	26,435.35					26,435.35
Other - Gaming Proceeds		7,148,710.45				7,148,710.45
County Shared Revenue:						
County HBR Tax (25%)	4,626.49					4,626.49
Other Intergovernmental Revenues					91,801.00	91,801.00
Charges for Goods and Services:						
General Government	15,794.63					15,794.63
Public Safety	2,215.87					2,215.87
Sanitation	83,006.67				45,664.53	128,671.20
Culture and Recreation					88,527.47	88,527.47
Cemetery	1,799.74				1,155.00	2,954.74
Fines and Forfeits:						
Library					444.00	444.00
Miscellaneous Revenue:						
Investment Earnings	39,938.58	132,020.21	118,509.63		7,743.06	298,211.48
Special Assessments	2,048.53					2,048.53
Capital Contribution-Private				270,000.00		270,000.00
Other	27,031.40	4,013.20	15,394.55		95,982.38	142,421.53
<b>Total Revenues</b>	<b>3,690,732.74</b>	<b>7,372,004.04</b>	<b>133,904.18</b>	<b>488,614.19</b>	<b>2,396,821.27</b>	<b>14,082,076.42</b>
<b>Expenditures:</b>						
General Government:						
Legislative	373,460.87					373,460.87
Elections	816.61					816.61

Financial Administration	305,998.94					305,998.94
Other	553,179.23					553,179.23
Public Safety:						
Police	858,268.67					858,268.67
Fire	126,553.57					126,553.57
Building Inspection	63,121.23					63,121.23
Public Works:						
Highways and Streets	627,381.52					627,381.52
Sanitation	81,920.50			44,662.12		126,582.62
Cemeteries	10,814.92					10,814.92
Health and Welfare:						
Health	5,361.70					5,361.70
Culture and Recreation:						
Recreation				235,309.47		235,309.47
Parks	385,903.16					385,903.16
Libraries				120,645.96		120,645.96
Historical Preservation		2,605,035.08				2,605,035.08
Conservation and Development:						
Economic Development and Assistance (Industrial Development)	117,169.41		88,175.75		1,447,299.01	1,652,644.17
Economic Development Uncollectable Receivable Write-Off (See Note 9)			1,307,410.04			1,307,410.04
Debt Service	480,373.23	2,659,930.00			470,725.07	3,611,028.30
Capital Outlay	68,187.55	27,243.89		2,462,495.93	246,082.59	2,804,009.96
Total Expenditures	<u>4,058,511.11</u>	<u>5,292,208.97</u>	<u>1,395,585.79</u>	<u>2,462,495.93</u>	<u>2,564,724.22</u>	<u>15,773,526.02</u>
Excess of Revenues Over (Under) Expenditures	<u>(367,778.37)</u>	<u>2,079,795.07</u>	<u>(1,261,681.61)</u>	<u>(1,973,881.74)</u>	<u>(167,902.95)</u>	<u>(1,691,449.60)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	1,483,773.59			2,313,798.24	75,937.74	3,873,509.57
Transfers Out	(34,000.00)	(4,071,222.26)	(24,288.83)		(7,140.97)	(4,136,652.06)
Sale of Municipal Property	9,000.00					9,000.00
Compensation for Loss or Damage to Capital Assets	1,678.00					1,678.00
Total Other Financing Sources (Uses)	<u>1,460,451.59</u>	<u>(4,071,222.26)</u>	<u>(24,288.83)</u>	<u>2,313,798.24</u>	<u>68,796.77</u>	<u>(252,464.49)</u>
Net Change in Fund Balance	1,092,673.22	(1,991,427.19)	(1,285,970.44)	339,916.50	(99,106.18)	(1,943,914.09)
Fund Balance - Beginning	<u>6,195,649.78</u>	<u>22,100,549.29</u>	<u>7,949,654.66</u>		<u>2,915,327.06</u>	<u>39,161,180.79</u>
FUND BALANCE - ENDING	<u>\$ 7,288,323.00</u>	<u>\$ 20,109,122.10</u>	<u>\$ 6,663,684.22</u>	<u>\$ 339,916.50</u>	<u>\$ 2,816,220.88</u>	<u>\$ 37,217,266.70</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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (1,943,914.09)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,712,756.11

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. 288,393.00

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,141,235.09

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". 956.36

Governmental funds do not reflect the change in accrued leave, but the statement of Activities reflects the change in accrued leave through expenses. (14,828.92)

Change in Net Assets of Governmental Activities \$ 2,184,597.55

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



**MUNICIPALITY OF DEADWOOD  
BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2011**

	<b>Enterprise Funds</b>					<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Mt. Moriah Fund</b>	<b>Parking and Transportation Fund</b>	<b>Broadway Parking Ramp Fund</b>	
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 540,717.69	\$ 101,553.52	\$ 34,287.51	\$ 519,110.03	\$ 130,476.56	\$ 1,326,145.31
Investments	250,000.00		400,000.00	400,000.00	551,273.06	1,601,273.06
Accounts Receivable, Net	35,930.58	2,984.52		664.38	15,587.91	55,167.39
<b>Total Current Assets</b>	<b>826,648.27</b>	<b>104,538.04</b>	<b>434,287.51</b>	<b>919,774.41</b>	<b>697,337.53</b>	<b>2,982,585.76</b>
<b>Noncurrent Assets:</b>						
Restricted Investment					260,500.00	260,500.00
<b>Capital Assets:</b>						
Land			4,865.21	75,000.00	150,000.00	229,865.21
Buildings			120,807.65			120,807.65
Improvements Other Than Buildings	5,820,611.06	3,039,259.98	4,167,180.53		9,045,613.99	22,072,665.56
Machinery and Equipment	374,266.00			759,463.75	38,085.22	1,171,814.97
Less: Accumulated Depreciation (Credit)	(2,416,173.15)	(701,197.96)	(406,167.26)	(487,653.57)	(3,918,016.44)	(7,929,208.38)
<b>Total Noncurrent Assets</b>	<b>3,778,703.91</b>	<b>2,338,062.02</b>	<b>3,886,686.13</b>	<b>346,810.18</b>	<b>5,576,182.77</b>	<b>15,926,445.01</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,605,352.18</b>	<b>\$ 2,442,600.06</b>	<b>\$ 4,320,973.64</b>	<b>\$ 1,266,584.59</b>	<b>\$ 6,273,520.30</b>	<b>\$ 18,909,030.77</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 25,430.49	\$	\$ 35.98	\$ 2,158.35	\$ 1,607.10	\$ 29,231.92
Accrued Interest Payable					6,351.53	6,351.53
Accrued Wages Payable	3,282.08			5,516.85	1,629.48	10,428.41
Bonds Payable, Due in One Year					340,000.00	340,000.00
Compensated Absences, Due in One Year	8,444.70			5,813.06		14,257.76
<b>Total Current Liabilities</b>	<b>37,157.27</b>	<b>0.00</b>	<b>35.98</b>	<b>13,488.26</b>	<b>349,588.11</b>	<b>400,269.62</b>
<b>Noncurrent Liabilities:</b>						
Revenue Bonds Payable					2,265,000.00	2,265,000.00
Compensated Absences	5,478.42			2,588.29		8,066.71
<b>Total Noncurrent Liabilities</b>	<b>5,478.42</b>	<b>0.00</b>	<b>0.00</b>	<b>2,588.29</b>	<b>2,265,000.00</b>	<b>2,273,066.71</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Related Debt	3,778,703.91	2,338,062.02	3,886,686.13	346,810.18	2,971,182.77	13,321,445.01
<b>Restricted Net Assets:</b>						
Broadway Parking Ramp Purposes					366,973.88	366,973.88
Debt Service Purposes					320,775.54	320,775.54
Unrestricted Net Assets	784,012.58	104,538.04	434,251.53	903,697.86		2,226,500.01
<b>Total Net Assets</b>	<b>4,562,716.49</b>	<b>2,442,600.06</b>	<b>4,320,937.66</b>	<b>1,250,508.04</b>	<b>3,658,932.19</b>	<b>16,235,694.44</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,605,352.18</b>	<b>\$ 2,442,600.06</b>	<b>\$ 4,320,973.64</b>	<b>\$ 1,266,584.59</b>	<b>\$ 6,273,520.30</b>	<b>\$ 18,909,030.77</b>

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

**MUNICIPALITY OF DEADWOOD**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**

	<b>Enterprise Funds</b>					<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Mt. Moriah Fund</b>	<b>Parking and Transportation Fund</b>	<b>Broadway Parking Ramp Fund</b>	
<b>Operating Revenues:</b>						
Charges for Goods and Services	\$ 616,744.94	\$ 32,140.05	\$ 83,540.25	\$ 491,465.21	\$ 570,831.83	\$ 1,794,722.28
Miscellaneous			5,010.00			5,010.00
<b>Total Operating Revenues</b>	<u>616,744.94</u>	<u>32,140.05</u>	<u>88,550.25</u>	<u>491,465.21</u>	<u>570,831.83</u>	<u>1,799,732.28</u>
<b>Operating Expenses:</b>						
Personal Services	228,197.61		34,332.72	381,365.86	83,736.23	727,632.42
Other Current Expense	375,714.32		26,627.18	451,683.78	110,755.98	964,781.26
Depreciation	123,811.26	66,948.96	45,195.84	94,532.34	302,713.49	633,201.89
<b>Total Operating Expenses</b>	<u>727,723.19</u>	<u>66,948.96</u>	<u>106,155.74</u>	<u>927,581.98</u>	<u>497,205.70</u>	<u>2,325,615.57</u>
Operating Income (Loss)	<u>(110,978.25)</u>	<u>(34,808.91)</u>	<u>(17,605.49)</u>	<u>(436,116.77)</u>	<u>73,626.13</u>	<u>(525,883.29)</u>
<b>Nonoperating Revenues (Expenses):</b>						
Investment Earnings	4,323.56	383.30	2,758.83	7,205.82	10,794.14	25,465.65
Interest Expense and Fiscal Charges					(353,965.47)	(353,965.47)
Other					24,136.43	24,136.43
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,323.56</u>	<u>383.30</u>	<u>2,758.83</u>	<u>7,205.82</u>	<u>(319,034.90)</u>	<u>(304,363.39)</u>
Income (Loss) Before Capital Contributions and Transfers	(106,654.69)	(34,425.61)	(14,846.66)	(428,910.95)	(245,408.77)	(830,246.68)
Capital Contributions				132,000.00		132,000.00
Transfers In	160,814.00			117,000.00		277,814.00
Transfers Out	(4,323.56)	(383.30)	(2,758.83)	(7,205.82)		(14,671.51)
Change in Net Assets	49,835.75	(34,808.91)	(17,605.49)	(187,116.77)	(245,408.77)	(435,104.19)
Net Assets - Beginning	4,512,880.74	2,477,408.97	4,338,543.15	1,437,624.81	3,904,340.96	16,670,798.63
<b>NET ASSETS - ENDING</b>	<u>\$ 4,562,716.49</u>	<u>\$ 2,442,600.06</u>	<u>\$ 4,320,937.66</u>	<u>\$ 1,250,508.04</u>	<u>\$ 3,658,932.19</u>	<u>\$ 16,235,694.44</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, 2011**

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Mt. Moriah Fund	Parking and Transportation Fund	Broadway Parking Ramp Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipt from Customers	\$ 627,582.63	\$ 32,233.62	\$ 83,540.25	\$ 491,399.28	\$ 565,850.87	\$ 1,800,606.65
Payments to Suppliers	(375,626.56)		(27,585.36)	(452,540.89)	(111,016.21)	(966,769.02)
Payments to Employees	(226,581.56)		(34,332.72)	(383,759.53)	(83,185.88)	(727,859.69)
Other Receipts (Payments)			5,010.00			5,010.00
Net Cash Provided (Used) by Operating Activities	<u>25,374.51</u>	<u>32,233.62</u>	<u>26,632.17</u>	<u>(344,901.14)</u>	<u>371,648.78</u>	<u>110,987.94</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers To Other Funds	(4,323.56)	(383.30)	(2,758.83)	(7,205.82)		(14,671.51)
Transfers From Other Funds	160,814.00			117,000.00		277,814.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>156,490.44</u>	<u>(383.30)</u>	<u>(2,758.83)</u>	<u>109,794.18</u>	<u>0.00</u>	<u>263,142.49</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from Capital Debt					2,605,000.00	2,605,000.00
Purchase of Capital Assets	(198,986.10)			(33,320.00)	(65,300.00)	(297,606.10)
Other Receipts (Payments)					24,136.43	24,136.43
Principal Paid on Capital Debt					(3,105,000.00)	(3,105,000.00)
Interest Paid on Capital Debt					(256,400.00)	(256,400.00)
Net Cash (Used) by Capital and Related Financing Activities	<u>(198,986.10)</u>	<u>0.00</u>	<u>0.00</u>	<u>(33,320.00)</u>	<u>(797,563.57)</u>	<u>(1,029,869.67)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from Sales and Maturities of Investments					142,500.00	142,500.00
Interest Earnings	4,323.56	383.30	2,758.83	7,205.82	10,794.14	25,465.65
Net Cash Provided by Investing Activities	<u>4,323.56</u>	<u>383.30</u>	<u>2,758.83</u>	<u>7,205.82</u>	<u>153,294.14</u>	<u>167,965.65</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,797.59)	32,233.62	26,632.17	(261,221.14)	(272,620.65)	(487,773.59)
Balances - Beginning	803,515.28	69,319.90	407,655.34	1,180,331.17	954,370.27	3,415,191.96
Balances - Ending	<u>\$ 790,717.69</u>	<u>\$ 101,553.52</u>	<u>\$ 434,287.51</u>	<u>\$ 919,110.03</u>	<u>\$ 681,749.62</u>	<u>\$ 2,927,418.37</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	\$ (110,978.25)	\$ (34,808.91)	\$ (17,605.49)	\$ (436,116.77)	\$ 73,626.13	\$ (525,883.29)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	123,811.26	66,948.96	45,195.84	94,532.34	302,713.49	633,201.89
Change in Assets and Liabilities:						
Receivables	10,837.69	93.57		(65.93)	(4,980.96)	5,884.37
Accounts and Other Payables	87.76		(958.18)	(857.11)	(260.23)	(1,987.76)
Accrued Wages Payable	332.14			(178.22)	550.35	704.27
Accrued Leave Payable	1,283.91			(2,215.45)		(931.54)
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,374.51</u>	<u>\$ 32,233.62</u>	<u>\$ 26,632.17</u>	<u>\$ (344,901.14)</u>	<u>\$ 371,648.78</u>	<u>\$ 110,987.94</u>
Noncash Investing, Capital and Financing Activities:						
Amortization of Deferred Issuance Costs and Deferred Refunding Amount					\$ 222,924.39	\$ 222,924.39
Grant received for trolley paid directly to vendor by the State of South Dakota				\$ 132,000.00		\$ 132,000.00

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

**MUNICIPALITY OF DEADWOOD  
STATEMENT OF FIDUCIARY NET ASSETS  
December 31, 2011**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 33,600.27
<b>TOTAL ASSETS</b>	<u>\$ 33,600.27</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	\$ 33,600.27
<b>TOTAL LIABILITIES</b>	<u>\$ 33,600.27</u>

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

MUNICIPALITY OF DEADWOOD  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Deadwood, (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each 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 Restoration and Preservation Fund – to account for a special fund within the Municipality of Deadwood financed from appropriations to be expended for loans, grants, and purchases for historical restoration and preservation. (SDCL 42-7B-46) This is a major fund.

Revolving Loan Fund – to account for historic restoration and preservation loans made to private individuals and businesses for historic preservation purposes. Loans are to be repaid over a period of years. This is a major fund.

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

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

The Tax Increment Financing District #6 (Lodge at Deadwood), and Tax Increment Financing #7 (First Gold) debt service funds are reported in the aggregate in the Other Governmental Funds column on the fund financial statements. These are not major funds.

*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).*

Days of 76 Museum Fund – to account for construction of Days of 76 Museum. Funds are provided in part from a Historic Preservation debt issuance, DOT grant, and private funding. This is a major fund.

The Deadwood Grand and St. Ambrose Cemetery Capital Projects Funds are reported in aggregate in the Other Governmental Funds column on the fund financial statements. These are not major funds.

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

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 the 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 property tax revenues and various pass through funds.*

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

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and

expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Basis of Accounting:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Municipality is 30 days. The revenues which are accrued at December 31, 2011 are sales tax, state shared revenue, gaming revenue, garbage services, and business improvement district assessments.

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

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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



d. Capital Assets:

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

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

*Government-wide Financial Statements:*

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

The total December 31, 2011 balance of governmental activities capital assets includes approximately .4 percent for which the costs were determined by estimates of the original costs. The total December 31, 2011 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

e. Long-Term Liabilities:

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

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

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

f. Program Revenues:

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

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

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

h. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits, excluding restricted assets, to be cash equivalents.

i. 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 investment 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/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

j. Equity Classifications:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "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 assets are reported as amounts held for others.

k. Application of Net Assets:

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

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 City 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 non-spendable form such as insurance deposit purposes and 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. 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, 2011**

	<u>General Fund</u>	<u>Historic Restoration and Preservation Fund</u>	<u>Revolving Loan Fund</u>	<u>Days of 76 Museum Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>						
Nonspendable:						
Cemetery Perpetual Care Purposes	\$	\$	\$	\$	\$ 50,000.00	\$ 50,000.00
Public Assurance Alliance Reserve	125,910.55					125,910.55
Revolving Loan Purposes			3,215,627.27			3,215,627.27
Restricted For:						
Debt Service Purposes	330,200.00	3,201,521.83			153,082.93	3,684,804.76
Capital Projects Purposes		1,212,478.52		339,916.50	79,443.40	1,631,838.42
Historic Preservation Purposes		15,695,121.75				15,695,121.75
Revolving Loan Purposes			3,448,056.95			3,448,056.95
Library Purposes					21,357.78	21,357.78
Recreation and Promotional Purposes					604,868.88	604,868.88
Business Improvement District Purposes					1,726,438.26	1,726,438.26
Rubble Site Purposes					87,660.51	87,660.51
Cemetery Perpetual Care Purposes					25,369.12	25,369.12
Assigned To:						
Applied to Next Year's Budget	122,303.00					122,303.00
Library Purposes					58,000.00	58,000.00
Rubble Site Purposes					10,000.00	10,000.00
Capital Outlay Accumulation Purposes	387,000.00					387,000.00
Unassigned	6,322,909.45					6,322,909.45
<b>Total Fund Balances</b>	<u>\$ 7,288,323.00</u>	<u>\$ 20,109,122.10</u>	<u>\$ 6,663,684.22</u>	<u>\$ 339,916.50</u>	<u>\$ 2,816,220.88</u>	<u>\$ 37,217,266.70</u>

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

As of December 31, 2011, the following individual nonmajor fund had a deficit fund balance / net assets in the amounts shown:

St. Ambrose Cemetery Capital Projects Fund      \$ 3,543.60

The Governing Board plans to take the following actions to address the deficit fund balances / fund net assets:

The Municipality plans to do a cash transfer from the Historic Restoration and Preservation Fund.

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, 2011, the Municipality had the following investments.

Investment	Credit Rating (Standards & Poor/ Moody's)	Fair Value
Federal National Mortgage Association Discount Note (FNMA)	AA+/Aaa	\$ 3,205,113.63
Mutual Funds:		
Goldman Sachs Financial Square Treasury Obligation	AAAm/Aaa-mf	648,087.16
<b>TOTAL INVESTMENTS</b>		<b>\$ 3,853,200.79</b>

**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:

FNMA	83%
Goldman Sachs Financial Square Treasury Obligation	17%

**Interest Rate Risk** – The Municipality has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Municipality also has approximately \$3.5 million deposited with First National Bank Trust Department (listed on the next page). This money is proceeds from various COP issues and is managed by the trust agreement between the Municipality and First National Bank.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2011, the Municipality had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Less Than 1 Year</u>	<u>1 – 2 Years</u>
FNMA	\$ 1,879,139.73	\$ 1,325,973.90
<u>Other Investments</u>		
Mutual Funds	648,087.16	
Total	<u>\$ 2,527,226.89</u>	<u>\$ 1,325,973.90</u>

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from 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. Interest earned on debt service funds and certificates of participation proceeds are credited to the applicable funds. 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:

<u>Amount:</u>	<u>Purpose:</u>
\$ 3,507,205.31	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements and the detail of the significant components can be found on the fund financial statements. The Municipality expects all receivables to be collected within one year, except for \$3,215,627.27 of notes receivables related to historic restoration and preservation loans reported in the Special Revenue Revolving Loan Fund.

6. PROPERTY TAXES

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

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

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	Balance January 1, 2011	Increases	Decreases	Ending Balance December 31, 2011
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,721,023.08	\$	\$	\$ 1,721,023.08
Construction in Progress	2,577,507.69	2,704,090.52	(492,117.54)	4,789,480.67
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,298,530.77</b>	<b>2,704,090.52</b>	<b>(492,117.54)</b>	<b>6,510,503.75</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	22,516,942.73	780,510.54		23,297,453.27
Improvements Other Than Buildings	20,603,331.66			20,603,331.66
Machinery and Equipment	3,971,888.63	95,431.44		4,067,320.07
Library Books	249,970.49	4,488.00	(2,449.62)	252,008.87
<b>Total Capital Assets Being Depreciated</b>	<b>47,342,133.51</b>	<b>880,429.98</b>	<b>(494,567.16)</b>	<b>48,220,113.87</b>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 51,640,664.28</b>	<b>\$ 3,584,520.50</b>	<b>\$ (494,567.16)</b>	<b>\$ 54,730,617.62</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings	\$ (1,542,135.36)	\$ (234,361.14)	\$	\$ (1,776,496.50)
Improvements Other Than Buildings	(9,720,111.16)	(620,945.68)		(10,341,056.84)
Machinery and Equipment	(1,385,898.17)	(222,269.62)		(1,608,167.79)
Library Books	(205,735.85)	(13,677.41)	2,449.62	(216,963.64)
<b>Total Accumulated Depreciation</b>	<b>(12,853,880.54)</b>	<b>(1,091,253.85)</b>	<b>2,449.62</b>	<b>(13,942,684.77)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>34,488,252.97</b>	<b>(210,823.87)</b>	<b>0.00</b>	<b>34,277,429.10</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 38,786,783.74</b>	<b>\$ 2,493,266.65</b>	<b>\$ (492,117.54)</b>	<b>\$ 40,787,932.85</b>



Depreciation expense was charged to function as follows:

General Government	\$	37,321.44
Public Safety		66,435.23
Public Works		696,687.76
Culture and Recreation-Books		13,677.41
Culture and Recreation		<u>277,132.01</u>

Total Depreciation Expense - Governmental Activities \$ 1,091,253.85

	Balance January 1, 2011	Increases	Decreases	Ending Balance December 31, 2011
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 229,865.21	\$	\$	\$ 229,865.21
Capital Assets Being Depreciated:				
Buildings	120,807.65			120,807.65
Improvements Other Than Buildings	21,808,379.46	264,286.10		22,072,665.56
Machinery and Equipment	1,006,494.97	165,320.00		1,171,814.97
Total Capital Assets Being Depreciated	<u>22,935,682.08</u>	<u>429,606.10</u>	<u>0.00</u>	<u>23,365,288.18</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>\$ 23,165,547.29</u>	<u>\$ 429,606.10</u>	<u>\$ 0.00</u>	<u>\$ 23,595,153.39</u>
Less Accumulated Depreciation For:				
Buildings	\$ (4,362.74)	\$ (805.44)	\$	\$ (5,168.18)
Improvements Other Than Buildings	(6,568,933.83)	(517,457.53)		(7,086,391.36)
Machinery and Equipment	(722,709.92)	(114,938.92)		(837,648.84)
Total Accumulated Depreciation	<u>(7,296,006.49)</u>	<u>(633,201.89)</u>	<u>0.00</u>	<u>(7,929,208.38)</u>
Total Business-Typed Activities Capital Assets, Being Depreciated, Net	<u>15,639,675.59</u>	<u>(203,595.79)</u>	<u>0.00</u>	<u>15,436,079.80</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 15,869,540.80</u>	<u>\$ (203,595.79)</u>	<u>\$ 0.00</u>	<u>\$ 15,665,945.01</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water Fund	\$	123,811.26
Sewer Fund		66,948.96
Mt. Moriah Fund		45,195.84
Parking and Transportation Fund		94,532.34
Broadway Parking Ramp Fund		<u>302,713.49</u>

Total Depreciation Expense - Business-Type Activities \$ 633,201.89

Construction Work in Progress at December 31, 2011 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2011	Committed	Required Future Financing
Days of 76 Museum	\$ 3,400,000.00	\$ 3,100,131.52	\$ 299,868.48	\$
Saint Ambrose	1,000,000.00	95,733.34	904,266.66	
Deadwood Grand	1,700,000.00	1,593,615.81	106,384.19	
<b>Total</b>	<b>\$ 6,100,000.00</b>	<b>\$ 4,789,480.67</b>	<b>\$ 1,310,519.33</b>	<b>\$ 0.00</b>

## 8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

Primary Government: Governmental Activities	Balance			Balance December 31, 2011	Amounts Due Within One Year
	January 1, 2011	Additions	Reductions		
<b>Bonds and Certificates Payable:</b>					
Sales Tax Revenue	\$ 3,615,000.00	\$	\$ (195,000.00)	\$ 3,420,000.00	\$ 130,000.00
Certificates of Participation	23,010,000.00		(1,615,000.00)	21,395,000.00	1,660,000.00
Tax Increment Financing Lease	3,889,219.00		(244,032.33)	3,645,186.67	232,039.00
Other Long-Term Liabilities	432,591.43		(87,202.76)	345,368.67	89,331.43
<b>Total Debt</b>	<b>30,946,790.43</b>	<b>0.00</b>	<b>(2,141,235.09)</b>	<b>28,805,555.34</b>	<b>2,111,370.43</b>
<b>Accrued Compensated Absences- Governmental Funds</b>	<b>118,977.62</b>	<b>14,828.92</b>		<b>133,806.54</b>	<b>77,532.15</b>
<b>Total Governmental Activities</b>	<b>31,065,768.05</b>	<b>14,828.92</b>	<b>(2,141,235.09)</b>	<b>28,939,361.88</b>	<b>2,188,902.58</b>
<b>Business-Type Activities</b>					
<b>Bonds and Certificates Payable:</b>					
Revenue Bond-Parking Ramp	3,105,000.00	2,605,000.00	(3,105,000.00)	2,605,000.00	340,000.00
<b>Accrued Compensated Absences- Business-Type Funds</b>	<b>23,256.01</b>		<b>(931.54)</b>	<b>22,324.47</b>	<b>14,257.76</b>
<b>Total Business-Type Activities</b>	<b>3,128,256.01</b>	<b>2,605,000.00</b>	<b>(3,105,931.54)</b>	<b>2,627,324.47</b>	<b>354,257.76</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 34,194,024.06</b>	<b>\$ 2,619,828.92</b>	<b>\$ (5,247,166.63)</b>	<b>\$ 31,566,686.35</b>	<b>\$ 2,543,160.34</b>

In 2011 the Municipality issued \$ 2,605,000 in Parking Improvement Revenue Refunding Bonds with an average interest rate of 2.15 percent to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal At Time of Refunding
2/1/05	Parking Revenue Refunding Bonds	4.79%	\$ 2,820,000.00

The proceeds of the refunding issue and contribution from City Funds in the amount of \$2,887,295.00 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 Broadway Parking Ramp Fund records.

The Municipality refunded the debt to reduce its total debt service payments over the next seven years by \$283,646.86 and to obtain an economic gain of \$209,918.12.

Debt payable at December 31, 2011 is comprised of the following:

Revenue Bonds:

2009-B, December 1, 2028, 3.00% to 6.25%, Payments made by General Fund. \$ 3,420,000.00

Parking Revenue Refunding Bonds Series 2011, February 1, 2018, 1.00% to 2.75%, Payments made by Broadway Parking Ramp Fund. \$ 2,605,000.00

Certificates of Participation:

2004 Series, November 1, 2019, 3.00% to 4.50%, Payments made by Historic Restoration and Preservation Fund. \$ 1,785,000.00

2003 Series, November 1, 2017, 3.00% to 4.50%, Payments made by Historic Restoration and Preservation Fund. \$ 5,955,000.00

2006 Series, November 1, 2020, 4.00% to 5.00%, Payments made by Historic Restoration and Preservation Fund. \$ 4,585,000.00

2005 Series, November 1, 2020, 4.75% to 5.00%, Payments made by Historic Restoration and Preservation Fund. \$ 5,965,000.00

2009 Series, November 1, 2014, 1.50% to 3.00%, Payments made by Historic Restoration and Preservation Fund. \$ 3,105,000.00

Tax Increment Lease:

Convention Center Lease/Purchase, December 1, 2024, 6.00%, Payments made by Lodge at Deadwood TIF #6 Fund. \$ 3,322,740.63

Tax Increment Note:

First Gold Note, June 1, 2017, 6.00% to 7.50%, Payments made by First Gold TIF #7 Fund. \$ 322,446.04

Financing (Capital Acquisition) Leases:

Street Sweeper Lease/Purchase, April 1, 2014, 5.15%, Payments made by General Fund. \$ 74,333.25

Loader Lease/Purchase, December 22, 2014, 4.529%, Payments made by General Fund. \$ 194,614.82

Other Debt:

Fassbender Collection, January 31, 2015, 2.18%, Payments made by  
Historic Restoration and Preservation Fund. \$ 76,420.60

Compensated Absences:

Vacation, Sick Leave, Comp Time Payable from Various Funds. \$ 156,131.01  
Payments made by the fund to which payroll expenditures are charged.

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

Principal	\$ 515,474.00
Interest	<u>69,936.15</u>
Total	<u>\$ 585,410.15</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The annual requirements to amortize all debt outstanding as of December 31, 2011, except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2011

Year Ending Dec. 31,	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2012	\$ 470,000.00	\$ 229,523.14	\$ 1,660,000.00	\$ 969,675.00
2013	525,000.00	234,260.00	1,710,000.00	916,600.00
2014	535,000.00	224,135.00	1,770,000.00	861,000.00
2015	545,000.00	211,572.50	2,900,000.00	797,325.00
2016	555,000.00	197,360.00	2,130,000.00	657,975.00
2017-2021	1,580,000.00	749,705.00	11,225,000.00	1,381,037.50
2022-2026	1,215,000.00	423,837.50		
2027-2031	600,000.00	56,875.00		
Total	<u>\$ 6,025,000.00</u>	<u>\$ 2,327,268.14</u>	<u>\$ 21,395,000.00</u>	<u>\$ 5,583,612.50</u>

Year Ending Dec. 31,	Tax Increment Debt		Capital Leases	
	Principal	Interest	Principal	Interest
2012	\$ 250,272.08	\$ 220,185.70	\$ 70,747.39	\$ 12,788.34
2013	266,940.14	203,517.64	74,223.11	9,313.12
2014	284,126.64	186,331.14	123,977.58	5,692.42
2015	302,430.85	168,026.93		
2016	319,461.90	148,949.54		
2017-2021	1,480,245.35	477,704.65		
2022-2026	741,709.71	57,575.00		
2027-2031				
Total	<u>\$ 3,645,186.67</u>	<u>\$ 1,462,290.60</u>	<u>\$ 268,948.08</u>	<u>\$ 27,793.88</u>

Year Ending Dec. 31,	Other Debt		Totals	
	Principal	Interest	Principal	Interest
2012	\$ 18,584.03	\$ 1,665.97	\$ 2,469,603.50	\$ 1,433,838.15
2013	18,989.16	1,260.84	2,595,152.41	1,364,951.60
2014	19,403.13	846.87	2,732,507.35	1,278,005.43
2015	19,444.28	805.72	3,766,875.13	1,177,730.15
2016			3,004,461.90	1,004,284.54
2017-2021			14,285,245.35	2,608,447.15
2022-2026			1,956,709.71	481,412.50
2027-2031			600,000.00	56,875.00
<b>Total</b>	<b>\$ 76,420.60</b>	<b>\$ 4,579.40</b>	<b>\$ 31,410,555.35</b>	<b>\$ 9,405,544.52</b>

## 9. NOTES RECEIVABLE

The Governmental Funds Balance Sheet includes Notes Receivable in the amount of \$3,215,627.27 in the Revolving Loan Fund. These outstanding balances are due to the Municipality from various parties for historical preservation loans.

On May 5, 2011, a financial institution started foreclosure proceedings against Hickok's Inc. The Municipality of Deadwood had 5 loans with Hickok's Inc. totaling \$1,140,047.47 and interest and late fees of \$167,362.57 at December 29, 2011. On December 29, 2011, the 4<sup>th</sup> Judicial Circuit Court granted a motion for summary judgment adjudicating the financial institution as the first lien on the Hickok's Inc. property. This resulted in the Municipality's notes receivable being in secondary (unsecured) position. It was determined that there was no reasonable possibility that the Municipality would receive any funds or collect anything on the notes, interest or late fees receivable. The Municipality wrote off the five loans for Hickok's Inc. with a value \$1,140,047.47 and accrued interest and late fees of \$167,362.57 for a total of \$1,307,410.04, which is reported as Economic Development Uncollectible Receivable Write-Off expenditure. The write offs were adjusted and reflected in the Note Receivable and Interest and Late Fee Receivable amounts reported on December 31, 2011.

10. RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES

Governmental Activities restricted net assets for the year ended December 31, 2011 were as follows:

Historic Preservation Purposes	\$ 15,686,818.03	
Revolving Loan Purposes	6,663,684.22	
Debt Service Purposes	452,104.76	
Capital Project Purposes	419,359.90	
Insurance Reserve Purposes	<u>125,910.55</u>	
<b>Permanently Restricted:</b>		
Cemetery Perpetual Care – Nonexpendable	50,000.00	
Cemetery Perpetual Care – Expendable	<u>25,369.12</u>	
<b>Other Purposes:</b>		
Library Purposes	76,401.66	
Recreation and Promotional Purposes	601,375.34	
Business Improvement District Purposes	1,726,438.26	
Rubble Site Purposes	<u>97,660.51</u>	
Total Other Purposes	<u>2,501,875.77</u>	
<b>Total Restricted Net Assets</b>		<b><u><u>\$ 25,925,122.35</u></u></b>

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

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Days of 76 Museum Fund</u>	<u>Water Fund</u>	<u>Parking and Transportation Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:						
General Fund	\$	\$	\$	\$	\$ 34,000.00	\$ 34,000.00
Historic Restoration and Preservation Fund	1,437,672.28	2,313,798.24	160,814.00	117,000.00	41,937.74	4,071,222.26
Revolving Loan Fund	24,288.83					24,288.83
Water Fund	4,323.56					4,323.56
Sewer Fund	383.30					383.30
Mt. Moriah Fund	2,758.83					2,758.83
Parking and Transportation Fund	7,205.82					7,205.82
Other Governmental Funds	7,140.97					7,140.97
<b>Total</b>	<b>\$ 1,483,773.59</b>	<b>\$ 2,313,798.24</b>	<b>\$ 160,814.00</b>	<b>\$ 117,000.00</b>	<b>\$ 75,937.74</b>	<b>\$ 4,151,323.57</b>

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 Days of 76 Museum Fund was to help finance the cost of the new museum. 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 transfers to the Other Governmental Funds were to help finance the operations of the library and rubble site.

12. RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$127,777.47, \$124,926.37, and \$131,736.69 respectively, equal to the required contributions each year.

13. JOINT VENTURES

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

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

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

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

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

Separate financial statements for this joint venture are available from the Lawrence County Sheriff's Office.

At December 31, 2011 this joint venture had total fund equity of \$33,076.55 and no long-term debt.



#### 14. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2011, 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. SUBSEQUENT EVENTS

On May 21, 2012, the Municipality approved the purchase of a building in the Municipality which was foreclosed on by a financial institution. The Municipality has a Historical Preservation Revolving Loan, including accrued interest and late fees, in the amount of \$744,673.49 related to this property. The Municipality's intention in purchasing the foreclosed property is to protect the Municipality's interest in the property and to resell the property to recoup a portion of the amount loaned against the property.

#### 16. 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, 2011, the Municipality managed its risks as follows:

##### Employee Health Insurance:

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

##### Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for:

Theft or Damage to Property,  
General Liability,  
Automobile Liability,  
Law Enforcement Liability, and  
Wrongful Acts

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2011, 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 deductible for officials' liability, and \$500-\$2,500 for property damage coverage, except for damage from flood or earthquake, which is \$25,000.

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

#### Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded 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, 2011, two claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$801.00. At December 31, 2011, no claims had been filed and were outstanding. 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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 840,107.00	\$ 840,107.00	\$ 807,303.95	\$ (32,803.05)
General Sales and Use Taxes	1,900,000.00	1,900,000.00	2,500,830.47	600,830.47
Amusement Taxes	1,500.00	1,500.00	720.00	(780.00)
Penalties and Interest on Delinquent Taxes	2,000.00	2,000.00	2,003.44	3.44
Licenses and Permits	92,200.00	92,200.00	152,719.49	60,519.49
Intergovernmental Revenue:				
State Grants	0.00	0.00	2,975.00	2,975.00
State Shared Revenue:				
Bank Franchise Tax	5,000.00	5,000.00	3,288.24	(1,711.76)
Liquor Tax Reversion	8,000.00	8,000.00	6,241.63	(1,758.37)
Motor Vehicle Licenses (5%)	11,500.00	11,500.00	11,753.26	253.26
Local Government Highway and Bridge Fund	15,000.00	15,000.00	26,435.35	11,435.35
County Shared Revenue:				
County HBR Tax (25%)	7,500.00	7,500.00	4,626.49	(2,873.51)
Charges for Goods and Services:				
General Government	17,700.00	17,700.00	15,794.63	(1,905.37)
Public Safety	3,750.00	3,750.00	2,215.87	(1,534.13)
Sanitation	82,800.00	82,800.00	83,006.67	206.67
Cemetery	3,500.00	3,500.00	1,799.74	(1,700.26)
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	39,938.58	(61.42)
Special Assessments	6,600.00	6,600.00	2,048.53	(4,551.47)
Other	23,500.00	23,500.00	27,031.40	3,531.40
<b>Total Revenues</b>	<b>3,060,657.00</b>	<b>3,060,657.00</b>	<b>3,690,732.74</b>	<b>630,075.74</b>
<b>Expenditures:</b>				
General Government:				
Legislative	420,051.00	420,051.00	373,460.87	46,590.13
Elections	900.00	900.00	816.61	83.39
Financial Administration	330,609.00	330,609.00	305,998.94	24,610.06
Other	592,799.00	607,799.00	553,179.23	54,619.77
Public Safety:				
Police	918,184.00	918,184.00	887,705.67	30,478.33
Fire	220,749.00	220,749.00	126,553.57	94,195.43
Building Inspection	78,378.00	78,378.00	63,121.23	15,256.77
Public Works:				
Highways and Streets	718,053.00	743,053.00	646,981.52	96,071.48
Sanitation	82,430.00	82,430.00	81,920.50	509.50
Cemeteries	13,300.00	13,300.00	10,814.92	2,485.08
Health and Welfare:				
Health	7,000.00	7,000.00	5,361.70	1,638.30
Culture and Recreation:				
Parks	436,044.00	436,044.00	405,053.71	30,990.29
Conservation and Development:				
Urban Redevelopment and Housing	131,666.00	131,666.00	117,169.41	14,496.59
Debt Service	396,988.00	396,988.00	480,373.23	(83,385.23)
<b>Total Expenditures</b>	<b>4,347,151.00</b>	<b>4,387,151.00</b>	<b>4,058,511.11</b>	<b>328,639.89</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,286,494.00)</b>	<b>(1,326,494.00)</b>	<b>(367,778.37)</b>	<b>958,715.63</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,322,356.00	1,322,356.00	1,483,773.59	161,417.59
Transfers Out	(29,000.00)	(29,000.00)	(34,000.00)	(5,000.00)
Sale of Municipal Property	0.00	0.00	9,000.00	9,000.00

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF DEADWOOD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2011**  
**(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>
Compensation for Loss or Damage to Capital Assets	0.00	0.00	1,678.00	1,678.00
Total Other Financing Sources (Uses)	1,293,356.00	1,293,356.00	1,460,451.59	167,095.59
Net Change in Fund Balance	6,862.00	(33,138.00)	1,092,673.22	1,125,811.22
Fund Balance - Beginning	6,195,649.78	6,195,649.78	6,195,649.78	0.00
<b>FUND BALANCE - ENDING</b>	<b><u>\$ 6,202,511.78</u></b>	<b><u>\$ 6,162,511.78</u></b>	<b><u>\$ 7,288,323.00</u></b>	<b><u>\$ 1,125,811.22</u></b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF DEADWOOD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**HISTORIC RESTORATION AND PRESERVATION FUND**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental Revenue:				
Federal Grants	\$ 0.00	\$ 0.00	\$ 87,260.18	\$ 87,260.18
Other - Gaming Proceeds	6,800,000.00	6,800,000.00	7,148,710.45	348,710.45
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	132,020.21	132,020.21
Other	0.00	0.00	4,013.20	4,013.20
<b>Total Revenues</b>	<u>6,800,000.00</u>	<u>6,800,000.00</u>	<u>7,372,004.04</u>	<u>572,004.04</u>
<b>Expenditures:</b>				
Culture and Recreation:				
Historical Preservation	2,336,950.00	3,162,450.00	2,632,278.97	530,171.03
Debt Service	2,862,880.00	2,862,880.00	2,659,930.00	202,950.00
<b>Total Expenditures</b>	<u>5,199,830.00</u>	<u>6,025,330.00</u>	<u>5,292,208.97</u>	<u>733,121.03</u>
Excess of Revenues Over (Under) Expenditures	1,600,170.00	774,670.00	2,079,795.07	1,305,125.07
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(1,600,170.00)</u>	<u>(1,600,170.00)</u>	<u>(4,071,222.26)</u>	<u>(2,471,052.26)</u>
<b>Net Change in Fund Balance</b>	0.00	(825,500.00)	(1,991,427.19)	1,165,927.19
<b>Fund Balance - Beginning</b>	<u>22,100,549.29</u>	<u>22,100,549.29</u>	<u>22,100,549.29</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 22,100,549.29</u>	<u>\$ 21,275,049.29</u>	<u>\$ 20,109,122.10</u>	<u>\$ 1,165,927.19</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF DEADWOOD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**REVOLVING LOAN FUND**  
**For the Year Ended December 31, 2011**

	<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>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	\$ 107,200.00	\$ 107,200.00	\$ 118,509.63	\$ 11,309.63
Other	0.00	0.00	15,394.55	15,394.55
<b>Total Revenues</b>	<u>107,200.00</u>	<u>107,200.00</u>	<u>133,904.18</u>	<u>26,704.18</u>
<b>Expenditures:</b>				
Economic Development and Assistance (Industrial Development)	107,200.00	107,200.00	88,175.75	19,024.25
Economic Development Uncollectable Receivable Write-Off (See Note 2)	0.00	0.00	1,307,410.04	(1,307,410.04)
<b>Total Expenditures</b>	<u>107,200.00</u>	<u>107,200.00</u>	<u>1,395,585.79</u>	<u>(1,288,385.79)</u>
Excess of Revenues over (Under) Expenditures	0.00	0.00	(1,261,681.61)	(1,261,681.61)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0.00	0.00	(24,288.83)	(24,288.83)
Net Change in Fund Balance	0.00	0.00	(1,285,970.44)	(1,285,970.44)
Fund Balance - Beginning	7,949,654.66	7,949,654.66	7,949,654.66	0.00
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,949,654.66</u>	<u>\$ 7,949,654.66</u>	<u>\$ 6,663,684.22</u>	<u>\$ (1,285,970.44)</u>

**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, 2011.

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>12/31/2011</u>
Revolving Loan Fund:	
<u>Activity</u>	
Economic Development Bad Debt	\$ 1,307,410.04

This 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 Hickok's Inc. The bank foreclosed on this property and the Municipality was in second position as a creditor. The proceeds from the sale did not permit the Municipality to realize any satisfaction of this loan and the loan became uncollectible.

General Fund:

<u>Activity</u>	
Debt Service	\$ 83,385.23

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.