

CITY OF BRANDON

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

**CITY OF BRANDON
MUNICIPAL OFFICIALS
DECEMBER 31, 2011**

Mayor

Larry Beesley

Governing Board

Mindy Hansen

Bob Bruning

Roger Brooks

Blaine Jones

Barb Fish

Jo Hausman

Finance Officer & Assistant City Administrator

Dennis Olson

City Administrator:

Bryan Read

Attorney:

Lisa Marso

CITY OF BRANDON
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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City Council
The City of Brandon
Minnehaha County, 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 City of Brandon, South Dakota, as of December 31, 2011, and for the year then ended which collectively comprise the City of Brandon's basic financial statements and have issued our report thereon dated July 5, 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

Management of the City of Brandon is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 City of Brandon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brandon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies and material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2011-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brandon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in finding number 2011-02.

The City of Brandon's response to the findings identified in our audit is on page 57. We did not audit the City's response, and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of Brandon in a separate letter dated July 5, 2012.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the City of Brandon 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 and OMB Circular A-133 §-320(a), this report is a matter of public record and its distribution is not limited.



Quam and Berglin, P.C.
Certified Public Accountants

July 5, 2012

**CITY OF BRANDON
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2011**

STATUS OF PRIOR AUDIT FINDINGS:

The prior audit recommendations 2010-01 and 2010-02 have not been corrected and are restated as Current Audit Finding Numbers 2011-01 and 2011-02.

Audit Finding Number 2010-03:

The City exceeded budgeted expenditures in several funds in the current and prior years in violation of SDCL 9-21-9 and failed to authorize transfers to cover such excess spending for the current year. This finding has been corrected.

CURRENT AUDIT FINDINGS:

AUDIT FINDING NUMBER 2011-01:

The City of Brandon does not have an adequate segregation of duties for revenues and expenditures, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

ANALYSIS:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenue and expenditures. Lack of this segregation could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

RECOMMENDATION:

We recommend that the City of Brandon officials be cognizant of this lack of segregation of duties for revenues and expenditures and attempt to provide compensating internal controls whenever and wherever possible and practical.

AUDIT FINDING NUMBER 2011-02:

The City failed to prepare, publish or file with the Department of Legislative Audit the annual financial reports for the year ended December 31, 2011 within the required time frame in violation of SDCL 9-22-21.

Analysis:

SDCL 9-22-21 states:

The auditor, financial officer, or clerk shall report to the governing body at the first regular meeting of March of each year, the receipts, expenses and financial condition of the City, including the amount of funds in the treasury at the time of making the report and where and in what amounts the funds are deposited or invested. The report shall be published within thirty days thereafter or upon completion of an annual audit in the official newspaper, or other newspaper as the governing body may direct. Immediately after the report to the governing body, the auditor, financial officer, or clerk, of municipalities of the first and second class, shall file a copy of the report with the State Department of Legislative Audit.

Recommendation:

We recommend that the City of Brandon annual financial reports be properly prepared, published and filed with the Department of Legislative Audit in the time frame required by SDCL 9-22-21.

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Brandon
Minnehaha County, 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 City of Brandon, South Dakota, as of December 31, 2011 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brandon's management. Our responsibility is to express opinions on these general-purpose 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 City of Brandon as of December 31, 2011 and the respective changes in financial position and, where applicable, cash flows 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 July 5, 2012, on our consideration of the City of Brandon'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 Management's Discussion and Analysis and Budgetary Comparison Schedules listed in the Table of Contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Quam and Berglin P.C.

Quam and Berglin, P.C.
Certified Public Accountants

July 5, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Brandon's annual financial report presents our discussion and analysis of the City of Brandon financial performance during the fiscal year ending December 31, 2011. Please read it in conjunction with the City of Brandon financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the year, the City of Brandon revenues generated from charges for services, taxes and other revenues of the governmental programs were \$1,404,926 more than the \$7,194,560 governmental and business-type program expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status of the City of Brandon.
2. The remaining statements are fund financial statements that focus on individual parts of Municipal government, reporting the Municipality's operations in more detail than the government-wide statements.
 - A. The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - B. Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The City has four proprietary funds – the Water Fund, the Sewer Fund, the Golf Course Fund and the Electrical Fund.

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

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

Figure A-2

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

1. **Governmental Activities** -- This category includes the most of the City of Brandon's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
2. **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City of Brandon's water, sewer, golf course and electrical accounts are included here.

FUND FINANCIAL STATEMENTS

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

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

The City has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Current and Other Assets	\$ 3,696,763	\$ 3,086,572	\$ 2,693,768	\$ 3,862,591	\$ 6,390,531	\$ 6,949,163
Capital Assets	18,691,869	18,374,099	17,204,185	16,704,096	35,896,054	35,078,194
Total Assets	<u>22,388,632</u>	<u>21,460,671</u>	<u>19,897,953</u>	<u>20,566,687</u>	<u>42,286,585</u>	<u>42,027,357</u>
Long-Term Debt						
Outstanding	8,358,725	6,987,916	2,658,404	2,348,955	11,017,129	9,336,871
Other Liabilities	<u>553,580</u>	<u>255,734</u>	<u>186,380</u>	<u>205,792</u>	<u>739,960</u>	<u>461,526</u>
	<u>8,912,305</u>	<u>7,243,651</u>	<u>2,844,784</u>	<u>2,554,747</u>	<u>11,757,089</u>	<u>9,798,397</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	10,427,461	11,497,694	14,653,532	14,466,892	25,080,993	25,964,586
Restricted	1,834,713	2,115,542			1,834,713	2,115,542
Unrestricted	<u>1,214,153</u>	<u>603,784</u>	<u>2,399,637</u>	<u>3,545,048</u>	<u>3,613,790</u>	<u>4,148,832</u>
Total Net Assets	<u>\$ 13,476,327</u>	<u>\$ 14,217,020</u>	<u>\$ 17,053,169</u>	<u>\$ 18,011,940</u>	<u>\$ 30,529,496</u>	<u>\$ 32,228,960</u>
Beginning Net Assets	12,739,373	13,476,327	15,981,957	17,053,169	28,721,330	30,529,496
Prior Period Adjustment		<u>265,336.99</u>				<u>265,337</u>
Beginning Net Assets	<u>\$ 12,739,373</u>	<u>\$ 13,741,664</u>	<u>\$ 15,981,957</u>	<u>\$ 17,053,169</u>	<u>\$ 28,721,330</u>	<u>\$ 30,794,833</u>
Increase (Decrease) in Net Assets	<u>\$ 736,954</u>	<u>\$ 475,356</u>	<u>\$ 1,071,212</u>	<u>\$ 958,771</u>	<u>\$ 1,808,166</u>	<u>\$ 1,434,127</u>
Percentage of Increase (Decrease) in Net Assets	5.78%	3.53%	6.70%	5.62%	6.30%	4.70%

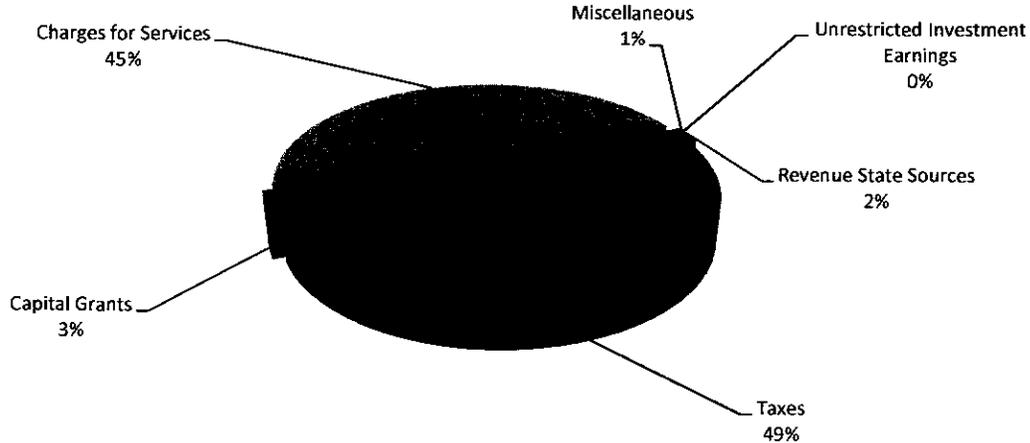
This section explains the differences between the current and prior years' assets, liabilities, and changes in net assets.

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

CHANGES IN NET ASSETS

The City of Brandon's total revenues (excluding special items) totaled \$8,599,486. (See Table A-2.) Well over half of the City of Brandon's revenue comes from charges for services and taxes; with 45 cents of every dollar raised coming from charges for services and 49 cents of every dollar raised comes from some type of tax. (See Figure A-3). Another 3 cents come from operating and capital grants and contributions and the balance comes from unrestricted investment earnings, state shared revenue and miscellaneous.

FIGURE A-3 SOURCE OF REVENUES



The City of Brandon expenses cover a range of services with 11% from water services and 10% from sewer services, 16% from the golf course. The cost of Public Safety was 19% and Public Works was 18%. Culture and Recreation costs were 9%. General Government costs were 10% and debt service was 6%. Conservation and Development and Health and Welfare are the remaining balance of less than 1%. (See Figure A-4)

FIGURE A-4 SOURCE OF EXPENSES

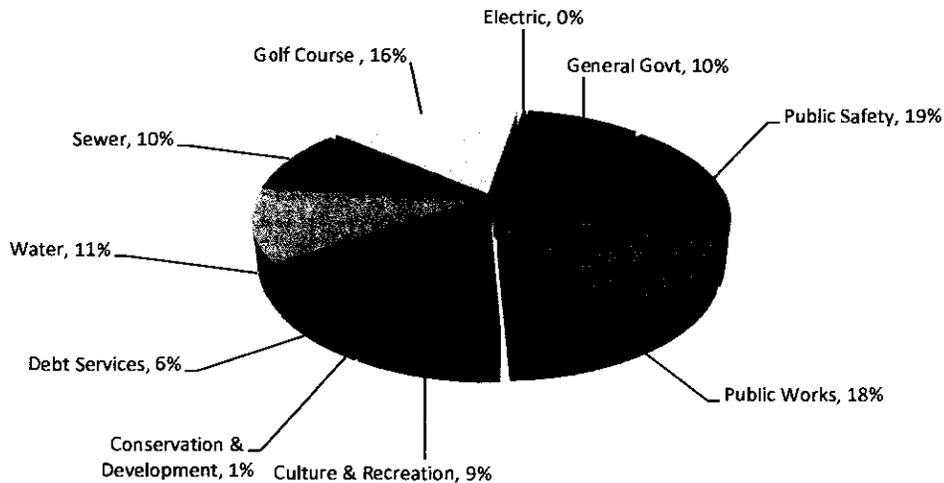


TABLE A-2
City of Brandon
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
REVENUE:						
Program Revenues:						
Charges for Services	\$ 295,052	\$ 346,874	\$ 2,781,825	\$ 3,514,089	\$ 3,076,877	\$ 3,860,963
Capital Grants and Contributions	1,337,356	292,454	169,947		1,507,303	292,454
General Revenues:						
Taxes	3,972,831	4,248,064			3,972,831	4,248,064
Revenue State Sources	167,185	133,025			167,185	133,025
Unrestricted Investment Earnings	15,223	11,800	8,078	6,896	23,301	18,696
Miscellaneous	9,967	32,027	14,852	14,257	24,819	46,284
TOTAL REVENUES	5,797,614	5,064,244	2,974,702	3,535,243	8,772,316	8,599,486
EXPENSES:						
General Government	696,824	699,309			696,824	699,309
Public Safety	1,340,289	1,348,021			1,340,289	1,348,021
Public Works	1,103,200	1,305,222			1,103,200	1,305,222
Health & Welfare	8,049	5,113			8,049	5,113
Culture and Recreation	597,860	611,264			597,860	611,264
Conservation & Development	90,417	116,334			90,417	116,334
Unallocated Depreciation Expense	15,519				15,519	-
Debt Services	424,396	379,600			424,396	379,600
Water Services			826,305	817,358	826,305	817,358
Sewer Services			668,522	693,857	668,522	693,857
Golf Course Services			1,198,341	1,166,362	1,198,341	1,166,362
Electric			9,623	22,920	9,623	22,920
TOTAL EXPENSES	4,276,554	4,464,863	2,702,791	2,700,496	6,979,345	7,165,359
Excess (deficiency) Before Transfers	1,536,256	599,381	271,910	834,746	1,808,166	1,434,127
Transfers	(799,302)	(124,025)	799,302	124,025		
Change in Net Assets	736,954	475,356	1,071,212	958,771	1,808,166	1,434,127
Beginning Net Assets	12,739,373	13,476,327	15,981,957	17,053,169	28,721,330	30,529,496
Prior Period Adjustment		265,337				265,337
Beginning Net Assets	12,739,373	13,741,664	15,981,957	17,053,169	28,721,330	30,794,833
NET ASSETS-ENDING	\$13,476,327	\$14,217,020	\$17,053,169	\$18,011,940	\$30,529,496	\$32,228,960

FINANCIAL ANALYSIS OF THE CITY OF BRANDON'S FUNDS

The financial analysis of the City of Brandon funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains fifteen governmental funds – General Fund; 3rd Cent Sales Tax; 2006 TIF #2(BID) Special Revenue Fund; Brandon Revolving Loan Fund; 2002 S.A. North Sioux Blvd; TIF#1 Debt Service; S.A Park St; S.A Chestnut Blvd; S.A Chestnut Middle Blvd; S.A. Express Ave/French Cr Lift; TIF #2 Convention Center Debt Service; S.A Country Club Drainage; TIF Hemlock Blvd Debt Service Fund; West Holly St Project; Aspen Blvd Project. The City has four business type funds - Water; Sewer; Golf Course and Electrical.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget. This amendment was for Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

CAPITAL ASSET ADMINISTRATION

By the end of 2011, the City had \$35,078,194 in a broad range of capital assets, including, land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$817,861 at 2% decrease, over the last year with most of the decrease due to fixed asset purchases being down and continual depreciation.

**Table A-3
Capital Assets
(Net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2010	2011	2010	2011	Change	Change
Land	\$ 1,127,352	\$ 1,129,952	\$ 1,719,941	\$ 1,719,941	\$ 2,601	0%
Buildings	3,664,103	3,568,409	2,946,709	2,850,340	(192,063)	-3%
Improv Other Than Buildings	12,425,944	12,383,518	11,719,759	11,356,285	(405,901)	-2%
Machinery & Equipment	1,012,270	1,007,086	817,777	722,691	(100,271)	-6%
Construction in Progress	462,200	285,133	-	54,839	(122,228)	-36%
Total Capital Assets(net)	<u>\$ 18,691,869</u>	<u>\$ 18,374,099</u>	<u>\$ 17,204,186</u>	<u>\$ 16,704,095</u>	<u>\$ (817,861)</u>	<u>-2%</u>

Below are some projects and purchases that were made in 2011:

New equipment was purchased which included; 2011 Ford Crown Victoria, 2010 Kubota RTV1100 Utility Vehicle, two 50HP 460V 3PH Non-Clog Pump 12: Impeller, and a 2011 Ford F250 Super Duty.

In order to keep our streets maintained, chip sealing was done in 2011 to improve street quality at the cost of \$115,549. A section of town is done every year, with the whole town being complete in about eight years.

Parks were improved over the year, with Aspen Park on its fifth and final year of a five year renovation plan to improve our city ballpark. The total cost of the project was 387,655.32; which included fencing, electrical, dugout improvements, landscaping, trees and more. VanBuskirk Park was improved in 2011 with 34,445 spent and a total project cost of 79,285 which spanned over three years. Playground equipment was added to three parks this year. Sunrise Park, McHardy Park and VanBuskirk received new equipment at the total cost of 122,483. Sidewalks were installed around the playground equipment at McHardy and Sunrise Park as well for a total of 11,931.

Some minor projects that were done are: a rebuild of the golf course lift station pump, a valve replacement at the wastewater treatment plant, and changed over the controls at the redwood booster station.

LONG-TERM DEBT

At the end of the year the City has \$9,855,387 in Sales Tax Revenue Bonds, Water Revenue Bonds and Sewer revenue Bonds and other long term obligations. This is a decrease of over 10% from the previous year as shown on Table A-4 below.

Table A-4
Outstanding Debt and Obligations
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2010	2011	2010	2011	Change	Change
Compensated Absences	\$ 94,317	\$ 111,512	\$ 107,752	\$ 111,751	\$ 21,194	10.49%
Special Assessment Bonds	1,435,083	1,197,112			(237,971)	-16.58%
Sales Tax Revenue bonds	3,651,495	3,335,009			(316,486)	-8.67%
State Revolving Funds	344,925	321,654			(23,271)	100.00%
Tax Increment Financing Bonds	2,191,463	2,022,630			(168,833)	-7.70%
Water Revenue bonds			1,166,529	970,446	(196,083)	-16.81%
Golf Course Revenue bonds			1,262,309	1,172,991	(89,318)	-7.08%
Notes Payable			121,816	93,766	(28,050)	-23.03%
Total Outstanding Debt & Obligations	\$ 7,717,283	\$ 6,987,916	\$ 2,658,406	\$ 2,348,955	\$ (1,038,818)	-10.01%

The City of Brandon had a significant decrease in long-term debt, which was due to retiring over 1.3 million dollars in debt and making no new additional debt in 2011.

REVENUE BONDS AT THE END OF 2011

\$1,900,000 - 2001 Golf Course Certificates of Participation issued to re-fund the addition of nine holes at the Brandon Municipal Golf Course and the construction of a clubhouse facility. Payment is over 20 years with principle payments starting at \$58,071 in 2002 to \$144,109 in 2021. The net interest cost is 4.9%. Payment will come from revenue from the Golf Course and are due June 1 and December 1 of each year and are taken automatically by the First National Bank Trust Department.

Principal balance, as of 12-31-11..... \$1,172,991

\$1,877,375 - 2000 (SRF) Water Treatment Plant Loan to construct a water treatment plant. Payments will be due quarterly over a fifteen year period at a 4.75% interest rate. Payments are \$175,708 per year. Bonds are being retired with revenues of the Water Enterprise Fund and are taken automatically by the First National Bank Trust Department.

Principal balance, as of 12-31-11.....\$ 526,271

\$780,000 - 2002 Westside Utility Project to extend water and sewer facilities to the west of Brandon. Payment is over ten years with principle payments starting at \$32,182 in 2003 to \$46,666 in 2012. The net interest cost is 3.95%. Payment will come from revenue from the debt retirement (sales tax) account and are due May 1 and November 1 of each year. Funds are taken automatically by the First National Bank Trust Dept from the non interest savings account.

Principal balance, as of 12-31-11.....\$ 93,843

\$775,000 - 2003 Eastside Utility Project to extend water and sewer facilities to the east of Brandon. Payment is over ten years with principle payments starting at \$31,501 in 2004 to \$46,972 in 2013. The net

\$775,000 - 2003 Eastside Utility Project to extend water and sewer facilities to the east of Brandon. Payment is over ten years with principle payments starting at \$31,501 in 2004 to \$46,972 in 2013. The net interest cost is 4.25%. Payment will come from revenue from the debt retirement (sales tax) account and are due June 1 and December 1 of each year. Funds are taken automatically by the First National Bank Trust Dept from the non interest savings account.

Principal balance, as of 12-31-11.....\$ 182,084

\$560,000.00 - 2005 Fire Hall Project (Rural Development) to construct a new fire hall. Half is financed with Rural Development the other from the First National Bank. Payment is over thirty years with principle payments beginning at \$9,576 and interest payments beginning at \$23,800. The net interest cost is 4.25%. Payment will come from revenue from the Second Cent Sales Tax Fund and are due October 12th of each year. Funds are taken automatically from the non interest savings account.

Principal balance, as of 12-31-11.....\$ 495,138

\$560,000 - 2005 Fire Hall Project (First National Bank) to construct a new fire hall. Half is financed with Rural Development the other from the First National Bank. Payment is over thirty years with principle payments starting at \$4,118 in 2006 to \$17,676 in 2035. The net interest cost is 5%. Payment will come from revenue from the Second Cent Sales Tax Fund and are due March 1st and September 1st of each year. Funds are taken automatically by the First National Bank Trust Department from the non interest savings account.

Principal balance, as of 12-31-11.....\$ 502,270

\$2,500,000 – 2007 Sales Tax Revenue Bond to construct the Holly Blvd Project. Payment is due in annual installments of \$118,482 through 2023 at a 5.5% interest rate. These bonds are being retired with collections from proceeds of Sales Tax. Payments are due on March 1 and September 1 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-11..... \$ 2,061,674

\$585,000 – 2008 Stone Ridge Booster Station to construct a booster station in the stone ridge development. Payments are due in annual installments of \$68,112 in 2009 and \$78,642 in 2010-2018 at a 6% interest rate. These bonds are being retired with Water funds revenue. Payments are due on March 1 and September 1 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-11..... \$ 444,175

\$344,925 - 2010 Clean Water Revenue Borrower Bond (SRF) for Bethany Meadows Project to construct a drainage way are due in quarterly payments of \$9,653.70 2011 through 2021 at a 2.25% interest rate. Payments will come from revenue from the Debt Retirement (Sales Tax) fund for drainage improvements. Payments are due on January 15, April 15, July 15, and October 15 of each year. Funds are taken automatically by the First National Bank Trust Department from the non-interest checking account.

Principal balance, as of 12-31-11.....\$321,654

SPECIAL ASSESSMENT BONDS

\$535,000 - 2002 North Sioux Boulevard Street Improvement Bonds due in annual installments of \$69,285 through 2012 at a 5% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for curb, gutter and utility improvements to North Sioux Boulevard. Payments are due on March 1 and September 1 of each year. The City obligation is \$405,936 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Dept. from the non-interest savings account.

Principal balance, as of 12-31-11.....\$65,986

\$325,000 - 2004 Park Street and Park Street Drainage Improvement Bonds due in annual installments of \$40,070 through 2014 at a 4% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for street improvements from Sioux Boulevard to the city limits and drainage improvements from Parkview Addition through the school property and south. Payments are due March 1 and September 1 of each year. The City obligation is \$231,646 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-11.....\$ 111,197

\$500,000 - 2006 Chestnut Boulevard Street Improvement Bonds due in annual installments of \$61,750 through 2016 at a 5.05% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for curb, gutter and utility improvements to Chestnut Boulevard. Payments are due on March 1 and September 1 of each year. The City obligation is \$272,322 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-11.....\$ 260,000

\$550,000 - 2007 Chestnut Boulevard Street Improvement Bonds due in annual installments of \$35,281 through 2017 at a 5% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds for curb, gutter and utility improvements to Chestnut Boulevard. Payments are due on March 1 and September 1 of each year. The City obligation is \$236,096 to be paid over ten years. Funds are taken automatically by the First National Bank Trust Department from the non-interest savings account.

Principal balance, as of 12-31-11..... \$ 361,903

\$ 225,000 - 2008 NE Lift Station and Express Avenue Bonds due in annual installments through 2018 at a 4.5% interest rate. These bonds are being retired with collections from property owners through Debt Service Funds. Payments are due on March 1 and September 1 of each year. There is no city obligation on this bond. Funds are taken automatically by the First National Bank Trust Department from the non-interest checking account.

Principal balance, as of 12-31-11.....\$ 167,560

\$ 280,000 - 2009 Country Club Drainage Project due in annual installments of 15,858 the first year and 18,273 the following years through 2019. These bonds are being retired with collections from property owners through special assessment collections. Payments are due March 1 and September 1 of each year. The city obligation on this bond is 51,284 to be paid over 10 years. Funds are taken automatically by First National Bank from the non-interest checking account.

Principal balance, as of 12-31-11..... \$ 230,466

NOTES PAYABLE

\$148,400 - **2009 Golf Cart Promissory Note.** Interest rate is 5.3%. Payments are made on a monthly basis at 2,826 per month. This note was for 50 new golf carts purchased by the Brandon Golf course. Funds are taken automatically by First National Bank from the non-interest checking account.

Principal balance, as of 12-31-11.....\$ 93,766

\$250,000.00 - **2004 TIF #1 Note Payable** - Interest rate is 6.5 % interest. Payments are made annually in December of each year. Interest only for the first three years. Annual interest payments begin at \$16,500 with principle payment beginning at \$14,400 and increasing in successive years with a balloon payment in 2009 of 221,061.01. Payments are made by check to the First National Bank in Brandon.

Principal balance, as of 12-31-11.....\$ 183,066

TAX INCREMENT BONDS

\$1,377,900 - **2006 TIF #2 Note**-due in annual installments of \$138,025 per year through 2025 at a 7.41% interest rate. These bonds are being retired with collections from a TIF #2 and a BID. This bond is for the construction of the Conference Center. Payments are due on March 1 and September 1 of each year.

Principal balance, as of 12-31-11..... \$1,165,181

\$750,000 – **2009 TIF #3 Tax Increment Revenue Bond** due in annual installments of 69,289 the first year and 68,165 in years 2011 thru 2024. Interest rate is at 4.15%. This bond was for construction of Hemlock Boulevard. Payments are due June 15 of each year.

Principal balance, as of 12-31-11.....\$674,382

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Brandon continued to experience additional revenues in property taxes from new construction with percentage growth of 2.41% in 2011. Under the state mandated property tax freeze, property taxes are 0.00% for 2011 which was based on the Consumer Price Index (CPI).

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The City has experienced an increase in taxable sales of about 11% over the prior year due to a boost in the economy and building projects.

The City of Brandon has adopted a General Fund budget for the 2012 fiscal year which will have a decrease of 2.43% in expenditures for a total of \$4,530,271. The decrease is due in part to large projects that came to a close in 2011 and having to tighten the budget due to the uncertainty of the economy.

CONTACTING THE CITY OF BRANDON FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Brandon’s finances and to demonstrate the City of Brandon’s accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Brandon’s Finance Office, PO Box 95-304 Main Ave, Brandon, SD 57005.

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**CITY OF BRANDON
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 1,793,128.37	\$ 2,523,883.05	\$ 4,317,011.42
Taxes Receivable	35,323.64		35,323.64
Special Assessment Receivable	285,566.42	1,001.26	286,567.68
Accounts Receivable	38,058.55	1,574.95	39,633.50
Utilities Receivable, Net		240,952.25	240,952.25
Notes Receivable	14,109.68		14,109.68
Due From Government	56,822.01	1,190.06	58,012.07
Internal Balances	(262,677.66)	262,677.66	
Inventories	42,312.53	42,009.95	84,322.48
Investments	747,465.49	768,727.07	1,516,192.56
Prepaid Expenses	859.91	2,655.50	3,515.41
Restricted Assets:			
Restricted Deposits	35,276.56		35,276.56
Noncurrent Assets:			
Special Assessment Receivable	135,708.43	6,007.21	141,715.64
Notes Receivable	116,102.34		116,102.34
Deferred Charges	48,515.81	11,912.20	60,428.01
Capital Assets:			
Land and Construction in Progress	1,415,085.81	1,774,780.40	3,189,866.21
Other Capital Assets, Net of Depreciation	16,959,012.74	14,929,315.17	31,888,327.91
TOTAL ASSETS	<u>21,460,670.63</u>	<u>20,566,686.73</u>	<u>42,027,357.36</u>
LIABILITIES :			
Accounts Payable	62,790.88	43,251.96	106,042.84
Other Current Liabilities	192,943.36	162,540.12	355,483.48
Noncurrent Liabilities:			
Due Within One Year	751,354.17	357,413.57	1,108,767.74
Due in More than One Year	6,236,562.10	1,991,541.02	8,228,103.12
TOTAL LIABILITIES	<u>7,243,650.51</u>	<u>2,554,746.67</u>	<u>9,798,397.18</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,497,693.97	14,466,891.95	25,964,585.92
Restricted for:			
Debt Service	946,494.93		946,494.93
Capital Improvement and Debt Service	457,220.61		457,220.61
Community Development	676,550.36		676,550.36
SDPAA Insurance Pool Contribution	35,276.56		35,276.56
Unrestricted (Deficit)	603,783.69	3,545,048.11	4,148,831.80
TOTAL NET ASSETS	<u>\$ 14,217,020.12</u>	<u>\$ 18,011,940.06</u>	<u>\$ 32,228,960.18</u>

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

CITY OF BRANDON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-Type Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 699,309.42	\$ 2,455.00	\$	\$ (696,854.42)	\$ (696,854.42)
Public Safety	1,348,020.55	149,141.37		(1,198,879.18)	(1,198,879.18)
Public Works	1,305,221.79	3,191.50	185,946.08	(1,116,084.21)	(1,116,084.21)
Health and Welfare	5,112.98	100.00		(5,012.98)	(5,012.98)
Culture and Recreation	611,263.77	100,200.65		(511,063.12)	(511,063.12)
Conservation and Development	116,333.89	91,785.71	7,568.00	(16,980.18)	(16,980.18)
Miscellaneous			2,265.00	2,265.00	2,265.00
*Interest on Long Term Debt	379,600.35			(379,600.35)	(379,600.35)
Total Governmental Activities	4,464,862.75	346,874.23	195,779.08	(3,922,209.44)	(3,922,209.44)
Business-type Activities:					
Water	817,357.72	1,425,513.29		608,155.57	608,155.57
Sewer	693,856.85	997,213.85		303,357.00	303,357.00
Golf Course	1,166,361.57	1,071,568.30		(94,793.27)	(94,793.27)
Electric	22,920.23	19,793.78		(3,126.45)	(3,126.45)
Total Business-type Activities	2,700,496.37	3,514,089.22		813,592.85	813,592.85
Total Primary Government	\$ 7,165,359.12	\$ 3,860,963.45	\$ 195,779.08	(3,922,209.44)	(3,108,616.59)
General Revenues:					
Taxes:					
				2,010,850.31	2,010,850.31
				2,181,235.55	2,181,235.55
				55,978.00	55,978.00
				133,025.38	133,025.38
				96,674.46	96,674.46
				11,799.70	18,696.00
				32,026.95	46,283.95
				(124,024.93)	124,024.93
				4,397,565.42	4,542,743.65
				475,355.98	1,434,127.06
				13,476,327.15	30,529,496.13
				265,336.99	265,336.99
				13,741,664.14	30,794,833.12
				\$ 14,217,020.12	\$ 32,228,960.18

* The Municipality does not have interest expense related to 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

**CITY OF BRANDON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 562,484.04	\$ 1,230,644.33	\$ 1,793,128.37
Taxes Receivable--Delinquent	35,323.64		35,323.64
Accounts Receivable	35,060.55	2,998.00	38,058.55
Special Assessments Receivable--Current	112,858.46	172,707.96	285,566.42
Special Assessments Receivable--Delinquent	1,560.35		1,560.35
Special Assessments Receivable--Deferred		652,664.49	652,664.49
Notes Receivable-Current		14,109.68	14,109.68
Notes Receivable-Noncurrent		116,102.34	116,102.34
Restricted Deposits	35,276.56		35,276.56
Due from Other Governments	54,049.20	2,772.81	56,822.01
Inventory	42,312.53		42,312.53
Investments	571,695.64	175,769.85	747,465.49
Prepaid Expenses	859.91		859.91
TOTAL ASSETS	<u>\$ 1,451,480.88</u>	<u>\$ 2,367,769.46</u>	<u>\$ 3,819,250.34</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 37,964.98	\$ 24,825.90	\$ 62,790.88
Wages Payable	45,701.57		45,701.57
Taxes Payable	6,517.08		6,517.08
Advances From Water Fund		262,677.66	262,677.66
Deferred Revenue	183,729.92	825,372.45	1,009,102.37
Total Liabilities	<u>273,913.55</u>	<u>1,112,876.01</u>	<u>1,386,789.56</u>
Fund Balances:			
Nonspendable	78,449.00	116,102.34	194,551.34
Restricted		1,423,296.67	1,423,296.67
Unassigned	1,099,118.33	(284,505.56)	814,612.77
Total Fund Balances	<u>1,177,567.33</u>	<u>1,254,893.45</u>	<u>2,432,460.78</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,451,480.88</u>	<u>\$ 2,367,769.46</u>	<u>\$ 3,819,250.34</u>

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

**CITY OF BRANDON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Total Fund Balances - Governmental Funds \$ 2,432,460.78

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.

Cost of Capital Assets	\$ 23,161,684.00	
Accumulated Depreciation	<u>(4,787,585.45)</u>	18,374,098.55

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (7,506,432.68)

Assets such as taxes receivable (delinquent) and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds. 984,992.37

Accrued interest payable which is not accounted for in the modified accrual basis of accounting but is accounted for in the statement of net assets. (116,614.71)

Deferred charges are recorded as an asset in the statement of net assets, but are recorded as an expenditure in the funds. 48,515.81

Net Assets- Governmental Funds \$14,217,020.12

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

CITY OF BRANDON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	\$ 1,871,353.86	\$ 130,131.25	\$ 2,001,485.11
General Sales and Use Tax	2,000,778.90	180,456.65	2,181,235.55
Gross Receipts Business Tax		55,978.00	55,978.00
Amusement Taxes	1,584.00		1,584.00
Penalties and Interest on Delinquent Taxes	2,836.12		2,836.12
Licenses and Permits	92,393.84		92,393.84
Intergovernmental Revenue:			
Federal Grants	96,674.46		96,674.46
State Grants	7,568.00		7,568.00
State Shared Revenue:			
Bank Franchise Tax	19,923.20		19,923.20
Liquor Tax Reversion	35,607.42		35,607.42
Motor Vehicle Licenses (5%)	26,007.11		26,007.11
Local Government Highway and Bridge Fund	38,563.15		38,563.15
Other	4,503.25		4,503.25
County Shared Revenue:			
County Wheel Tax	8,421.25		8,421.25
Charges for Goods and Services:			
General Government	2,455.00		2,455.00
Public Safety	49,793.11		49,793.11
Sanitation	3,191.50		3,191.50
Health	100.00		100.00
Culture and Recreation	100,200.65		100,200.65
Other	91,785.71		91,785.71
Fines and Forfeits:			
Court Fines and Costs	6,954.42		6,954.42
Miscellaneous Revenue:			
Interest Income	3,184.64	8,615.06	11,799.70
Rentals	95.00		95.00
Special Assessments		250,408.81	250,408.81
Street Assessments	80,205.20		80,205.20
Contributions/Donations from Private Sources	2,265.00		2,265.00
Other	25,321.26		25,321.26
Total Revenue	<u>4,571,766.05</u>	<u>625,589.77</u>	<u>5,197,355.82</u>
Expenditures:			
General Government:			
Legislative	59,216.17		59,216.17
Executive	195,017.54		195,017.54
Elections	581.57		581.57

CITY OF BRANDON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Financial Administration	234,459.15		234,459.15
Other	59,532.77	109,275.00	168,807.77
Public Safety:			
Police	1,004,646.16		1,004,646.16
Fire	107,730.12		107,730.12
Protective Inspection	143,573.11		143,573.11
Other Protection	8,327.56		8,327.56
Public Works:			
Highways and Streets	544,949.43		544,949.43
Sanitation	4,817.20		4,817.20
Transit	138,010.42		138,010.42
Health and Welfare:			
Health	3,872.96		3,872.96
Culture and Recreation:			
Recreation	167,193.21		167,193.21
Parks	284,332.40		284,332.40
Conservation and Development:			
Economic Development and Assistance	100,487.26	15,846.63	116,333.89
Debt Service	754,580.05	541,683.23	1,296,263.28
Capital Outlay	369,233.83	213,360.24	582,594.07
Total Expenditures	<u>4,180,560.91</u>	<u>880,165.10</u>	<u>5,060,726.01</u>
Excess of Revenue Over (Under) Expenditures	<u>391,205.14</u>	<u>(254,575.33)</u>	<u>136,629.81</u>
Other Financing Sources (Uses):			
Transfer In (Out)	(661,520.49)	537,495.56	(124,024.93)
Compensation for Loss/Damage to Capital Assets	1,653.19		1,653.19
Sale of Municipal Property	2,900.00		2,900.00
Total Other Financing Sources (Uses):	<u>(656,967.30)</u>	<u>537,495.56</u>	<u>(119,471.74)</u>
Net Change in Fund balance	(265,762.16)	282,920.23	17,158.07
Net Change in Nonspendable Fund Balance	16,222.67		16,222.67
Fund Balance - Beginning Balance	<u>1,427,106.82</u>	<u>971,973.22</u>	<u>2,399,080.04</u>
FUND BALANCE- ENDING	<u>\$ 1,177,567.33</u>	<u>\$ 1,254,893.45</u>	<u>\$ 2,432,460.78</u>

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

**CITY OF BRANDON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 17,158.07

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 amount by which depreciation expense exceeded capital outlay in the period.

Investment in Capital Assets	\$ 582,594.07	
Depreciation Expense	<u>(902,421.82)</u>	(319,827.75)

Governmental funds report revenues when they meet the available criteria. Because some revenues will not be collected for several months after the city's calendar year ends, they are not considered "available" revenues and are deferred in the governmental funds. (139,722.85)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 869,487.10

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued leave		(17,194.59)
Change in deferred charges		(4,730.19)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in the amounts accrued. 51,906.02

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. 16,222.67

In the statement of activities, loss on disposal of assets is reported, whereas in the governmental funds, the proceeds from the disposal of fixed assets is reflected. 2,057.50

Change in Net Assets of Governmental Activities \$ 475,355.98

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

**CITY OF BRANDON
BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Enterprise Fund	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 1,518,565.38	\$ 1,001,967.67	\$ 3,350.00	\$	\$ 2,523,883.05
Utilities Receivable, Net	123,845.79	114,416.32		2,690.14	240,952.25
Accounts Receivable	50.00	313.00	1,211.95		1,574.95
Special Assessments Receivable--Current		1,001.26			1,001.26
Due From Government	424.17	426.34	339.55		1,190.06
Inventory of Supplies	6,660.33				6,660.33
Inventory of Stores Purchased for Resale			35,349.62		35,349.62
Investments	588,157.52	180,569.55			768,727.07
Prepaid Expense			2,655.50		2,655.50
Total Current Assets	<u>2,237,703.19</u>	<u>1,298,694.14</u>	<u>42,906.62</u>	<u>2,690.14</u>	<u>3,581,994.09</u>
Noncurrent Assets:					
Special Assessments Receivable--Deferred		6,007.21			6,007.21
Deferred Charges	2,916.64	153.32	8,842.24		11,912.20
Advances to Other Funds	262,677.66				262,677.66
Capital Assets:					
Land	83,986.18	381,304.99	1,254,649.93		1,719,941.10
Buildings	2,431,511.83	281,921.08	1,458,631.69		4,172,064.60
Improvements Other Than Buildings	7,356,185.32	7,441,194.35	859,801.30		15,657,180.97
Machinery and Equipment	1,152,385.03	389,998.68	625,343.33		2,167,727.04
Less: Accumulated Depreciation	(3,211,230.78)	(2,534,343.13)	(1,322,083.53)		(7,067,657.44)
Construction Work in Progress	6,310.79	23,950.56	24,577.95		54,839.30
Total Noncurrent Assets	<u>8,084,742.67</u>	<u>5,990,187.06</u>	<u>2,909,762.91</u>		<u>16,984,692.64</u>
TOTAL ASSETS	<u>\$ 10,322,445.86</u>	<u>\$ 7,288,881.20</u>	<u>\$ 2,952,669.53</u>	<u>\$ 2,690.14</u>	<u>\$ 20,566,686.73</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 22,486.37	\$ 17,683.73	\$ 2,605.74	\$ 476.12	\$ 43,251.96
Due to State			1,680.80		1,680.80
Accrued Interest Payable	15,132.97		4,789.71		19,922.68
Accrued Wages Payable	5,053.25	4,288.98	12,609.19		21,951.42
Accrued Taxes Payable	689.77	585.46	1,651.75		2,926.98
Current Portion of Long Term Debt	214,041.64	3,528.12	139,843.81		357,413.57
Revenue Collected in Advance	661.25		115,396.99		116,058.24
Total Current Liabilities	<u>258,065.25</u>	<u>26,086.29</u>	<u>278,577.99</u>	<u>476.12</u>	<u>563,205.65</u>
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	764,258.94		1,079,296.58		1,843,555.52
Other Long-Term Debt	23,562.00	10,586.00	113,837.50		147,985.50
Total Noncurrent Liabilities	<u>787,820.94</u>	<u>10,586.00</u>	<u>1,193,134.08</u>		<u>1,991,541.02</u>
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	6,848,701.96	5,984,026.53	1,634,163.46		14,466,891.95
Unrestricted Net Assets	2,427,857.71	1,268,182.38	(153,206.00)	2,214.02	3,545,048.11
Total Net Assets	<u>9,276,559.67</u>	<u>7,252,208.91</u>	<u>1,480,957.46</u>	<u>2,214.02</u>	<u>18,011,940.06</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,322,445.86</u>	<u>\$ 7,288,881.20</u>	<u>\$ 2,952,669.53</u>	<u>\$ 2,690.14</u>	<u>\$ 20,566,686.73</u>

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

CITY OF BRANDON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
Operating Revenue:					
Charges for Goods and Services	\$	\$ 997,213.85	\$	\$ 19,793.78	\$ 1,017,007.63
(Revenues Securing Bond Issues)	1,425,513.29		1,071,568.30		2,497,081.59
Other Income	14,257.00				14,257.00
Total Operating Revenue	<u>1,439,770.29</u>	<u>997,213.85</u>	<u>1,071,568.30</u>	<u>19,793.78</u>	<u>3,528,346.22</u>
Operating Expenses:					
Personal Services	213,918.95	195,697.13	489,365.61		898,981.69
Other Current Expense	268,082.54	263,208.70	317,640.43	283.82	849,215.49
Materials (Cost of Goods Sold)			152,941.79	22,636.41	175,578.20
Depreciation	279,634.94	234,951.02	137,055.39		651,641.35
Total Operating Expenses	<u>761,636.43</u>	<u>693,856.85</u>	<u>1,097,003.22</u>	<u>22,920.23</u>	<u>2,575,416.73</u>
Operating Income (Loss)	<u>678,133.86</u>	<u>303,357.00</u>	<u>(25,434.92)</u>	<u>(3,126.45)</u>	<u>952,929.49</u>
Nonoperating Revenue (Expense):					
Investment Earnings	4,598.03	2,298.27			6,896.30
Interest Expense and Fiscal Charges	(55,721.29)		(69,358.35)		(125,079.64)
Total Nonoperating Revenue (Expense)	<u>(51,123.26)</u>	<u>2,298.27</u>	<u>(69,358.35)</u>		<u>(118,183.34)</u>
Income (Loss) Before Transfers and Contributions	<u>627,010.60</u>	<u>305,655.27</u>	<u>(94,793.27)</u>	<u>(3,126.45)</u>	<u>834,746.15</u>
Transfers In (Out)			103,221.24	20,803.69	124,024.93
Change in Net Assets	<u>627,010.60</u>	<u>305,655.27</u>	<u>8,427.97</u>	<u>17,677.24</u>	<u>958,771.08</u>
Net Assets - January 1, 2011	<u>8,649,549.07</u>	<u>6,946,553.64</u>	<u>1,472,529.49</u>	<u>(15,463.22)</u>	<u>17,053,168.98</u>
NET ASSETS - ENDING	<u>\$ 9,276,559.67</u>	<u>\$ 7,252,208.91</u>	<u>\$ 1,480,957.46</u>	<u>\$ 2,214.02</u>	<u>\$ 18,011,940.06</u>

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

**CITY OF BRANDON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Cash Receipts from Customers	\$ 1,410,531.38	\$ 975,527.98	\$ 1,082,738.54	\$ 17,818.50	\$ 3,486,616.40
Internal Activity-Receipts from Other Funds	6,926.01	4,490.56			11,416.57
Cash Payments to Employees for Services	(215,826.17)	(194,116.38)	(485,039.69)		(894,982.24)
Cash Payments to Suppliers of Goods and Services	(249,950.85)	(260,210.62)	(486,379.21)	(22,916.45)	(1,019,457.13)
Cash Payments for Interfund Services			(2,872.85)		(2,872.85)
Other Receipts (Payments)	14,257.00				14,257.00
Net Cash Provided (Used) by Operating Activities	<u>965,937.37</u>	<u>525,691.54</u>	<u>108,446.79</u>	<u>(5,097.95)</u>	<u>1,594,977.75</u>
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES:					
Cash Loaned to Other Funds	(177,682.71)				(177,682.71)
Cash Received from Other Funds				(15,705.74)	(15,705.74)
Operating Transfers			103,221.24	20,803.69	124,024.93
Net Cash Provided (Used) by Operating Activities	<u>(177,682.71)</u>		<u>103,221.24</u>	<u>5,097.95</u>	<u>(69,363.52)</u>
CASH FLOWS FROM CAPITAL AND					
RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(45,436.29)	(81,537.53)	(24,577.95)		(151,551.77)
Principal Paid on Capital Debt	(196,082.19)		(117,367.01)		(313,449.20)
Interest Paid on Capital Debt	(58,453.93)		(69,723.07)		(128,177.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(299,972.41)</u>	<u>(81,537.53)</u>	<u>(211,668.03)</u>		<u>(593,177.97)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investment Securities	(4,160.66)	(2,080.74)			(6,241.40)
Interest Earnings	4,598.03	2,298.27			6,896.30
Net Cash Provided (Used) by Investing Activities	<u>437.37</u>	<u>217.53</u>			<u>654.90</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 488,719.62</u>	<u>\$ 444,371.54</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 933,091.16</u>
Cash and Cash Equivalents at Beginning of Year	\$ 1,029,845.76	\$ 557,596.13	\$ 3,350.00	\$ 0.00	\$ 1,590,791.89
Cash and Cash Equivalents at End of Year	<u>1,518,565.38</u>	<u>1,001,967.67</u>	<u>3,350.00</u>	<u>0.00</u>	<u>2,523,883.05</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 488,719.62</u>	<u>\$ 444,371.54</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 933,091.16</u>

**MUNICIPALITY OF BRANDON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(continued)**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Golf Course Fund	Non Major Fund	
Operating Income (Loss)	\$ 678,133.86	\$ 303,357.00	\$ (25,434.92)	\$ (3,126.45)	\$ 952,929.49
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization Expense	279,634.94	234,951.02	137,055.39	0.00	651,641.35
Change in Assets and Liabilities:					
Receivables and Other Receivables	(8,717.15)	(17,195.31)	(1,827.58)	(1,975.28)	(29,715.32)
Inventories	(512.72)		(5,873.80)		(6,386.52)
Accounts and Other Payables	18,644.41	2,998.08	(12,796.04)	3.78	8,850.23
Accrued Leave Payable	(1,907.22)	1,580.75	4,325.92		3,999.45
Revenues Collected in Advance	661.25		12,997.82		13,659.07
Net Cash Provided (Used) by Operating Activities	<u>\$ 965,937.37</u>	<u>\$ 525,691.54</u>	<u>\$ 108,446.79</u>	<u>\$ (5,097.95)</u>	<u>\$ 1,594,977.75</u>

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

CITY OF BRANDON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

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

The Brandon Revolving Loan Foundation of Brandon, South Dakota (Foundation) is a blended component unit of the City of Brandon. That is, the Foundation's financials are reported in the primary government (City of Brandon). The Foundation consists of six board members who are appointed by the Mayor. The major purpose for the Foundation is to promote the interests of the City of Brandon by the assistance of commercial, industrial and economic development through grants, loans and other economic development activities.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

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

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

GOVERNMENTAL FUNDS

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

The following Special Revenue Funds are not considered major funds: Third Penny Sales Tax Fund, 2006 TIF Special Revenue Fund and Brandon Revolving Loan Fund. These funds are reported on the fund financial statements as “Other Governmental Funds” and are detailed in the combining statement section.

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 following Debt Service Funds are not considered major funds: The 2002 North Sioux Boulevard Special Assessment, Tax Increment District, Park Street Special Assessment, Chestnut Boulevard Special Assessment, Chestnut Boulevard Middle Special Assessment, Express Avenue/French Creek Special Assessment, TIF Convention Center Debt Service Fund, Country Club (CC) Heights Debt Service Fund and TIF #3 Hemlock Blvd Debt Service Fund. These funds are reported on the fund financial statements as “Other Governmental Funds” and are detailed in the combining statement section.

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 and Trust Funds).

The following Capital Project Funds are not considered major funds: West Holly Street Project and Aspen Blvd Project. These funds are reported on the fund financial statements as “Other Governmental Funds” and are detailed in the combining statement section.

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) This is a major fund.

Golf Course Fund - financed by user charges, this fund accounts for the operations of the golf course services. This is a major fund.

Electric Fund - financed by user charges, this fund accounts for the operations of electric services. This is not a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, 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 funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Brandon, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2011 are amounts due from other governments and customer receivables.

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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

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

The total December 31, 2011 balance of governmental activities capital assets includes approximately 8.2% for which the costs were determined by estimates of original costs. The total of December 31,

2011 balance of business-type capital assets includes approximately 5.8% for which the costs were determined by estimates of original costs. These estimated 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, 2003, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2003 are recorded at cost, and classified as "Improvements Other than Buildings."

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet.

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

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	All	NA	NA
Improvements other than buildings	\$ 5,000.00	Straight Line	25-75 yrs
Buildings	25,000.00	Straight Line	25-75 yrs
Machinery and Equipment	5,000.00	Straight Line	7-10 yrs
Furniture	5,000.00	Straight Line	7-10 yrs
Infrastructure	All	Straight Line	25-75 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of state revolving loans, certificates of participation, revenue bonds, special assessment bonds, notes payable, 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 statements.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary 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.

i. Cash and Cash Equivalents:

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

j. 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 Laws (SDCL) 4-5-6.

k. Equity Classifications:

Government-wide 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. In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type.

Proprietary fund equity is classified the same as in the government-wide financial statements.

I. Application of Net Assets:

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

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered, restricted, or committed. Fund Balance may be assigned by the Municipal Council.
- 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 City uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use *committed, then assigned, and lastly unassigned* amounts of unrestricted fund balance when expenditures are made.

A schedule of fund balances is provided as follows:

CITY OF BRANDON
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:			
<i>Nonspendable:</i>			
Inventory	\$ 42,312.53	\$	\$ 42,312.53
Prepaid Expenses	859.91		859.91
SDPAA Insurance Pool	35,276.56		35,276.56
Notes Receivable		116,102.34	116,102.34
<i>Restricted for:</i>			
Debt Service		291,624.77	291,624.77
Capital Improvement and Debt Service		455,121.54	455,121.54
Community Development		676,550.36	676,550.36
<i>Unassigned</i>	<u>1,099,118.33</u>	<u>(284,505.56)</u>	<u>814,612.77</u>
Total Fund Balances	<u>\$ 1,177,567.33</u>	<u>\$ 1,254,893.45</u>	<u>\$ 2,432,460.78</u>

NOTE 2 - Deficit Fund Balances/Fund Net Assets:

As of December 31, 2011, the following funds had deficit fund balances/ retained earnings in the amounts shown:

2006 TIF Special Revenue Fund	\$ (89,177.37)
TIF Convention Debt Service Service	(33,047.83)
TIF Hemlock Blvd Debt Service Fund	(137,454.46)
West Holly Street Capital Project Fund	(9,832.50)
Aspen Blvd. Capital Project Fund	<u>(14,993.40)</u>
Total Deficit Balances	<u>\$ (284,505.56)</u>

In the future, the Governing Board plans to transfer money from the General Fund to correct negative fund balances. During the 2011 year, the Water Fund made advances to the TIF Convention Debt Service-\$33,047.83, to the TIF Special Revenue Fund-\$92,175.37, and to the TIF Hemlock Blvd. Debt Service-\$137,454.46 for a total of \$262,677.66. These three funds plan to repay the Water Fund over a three-year period, as tax revenues are received.

NOTE 3 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, 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

Investments – In general, SDCL 4-5-6 permits City 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 City, as discussed above. The City has no investment policy that would further limit its investment choices.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Deposits are reported at cost, plus interest, if the account is of the add-on type.

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

NOTE 4 - Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$116,102.34 of receivables related to economic development loans to qualifying businesses reported in the General Fund. This is a summary of Economic Development Loans receivable as of December 31, 2011.

Year Ended Dec 31,	D-Rail LLC	R & T Unit Can	Corson Village	Total
	2005	2011	2011	
	Revolving Loan Fund	Revolving Loan Fund	Revolving Loan Fund	
2012	\$ 7,442.26	\$ 5,482.08	\$ 1,185.34	\$ 14,109.68
2013	7,764.78	5,648.84	1,134.38	14,548.00
2014	8,101.30	5,820.65	938.15	14,860.10
2015	7,019.25	5,997.68	538.00	13,554.93
2016		6,180.11	93.66	6,273.77
2017-2030		66,865.54		66,865.54
Total	<u>\$ 30,327.59</u>	<u>\$ 95,994.90</u>	<u>\$ 3,889.53</u>	<u>\$ 130,212.02</u>

NOTE 5 - Inventory

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

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

In the government-wide financial statements and proprietary fund financial statements, inventory items

are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

NOTE 6 – Property Taxes

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

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

NOTE 7 – Changes in Capital Assets

A summary of changes in general fixed assets for the year ended December 31, 2011 are as follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 1,127,352.42	\$ 2,600.00	\$	\$ 1,129,952.42
Construction Work in Progress	462,199.83	247,297.76	(424,364.20)	285,133.39
Total Capital Assets, not being Depreciated	<u>1,589,552.25</u>	<u>249,897.76</u>	<u>(424,364.20)</u>	<u>1,415,085.81</u>
Capital Assets, being Depreciated:				
Buildings	4,333,638.50			4,333,638.50
Improvements Other than Buildings	14,780,514.83	594,420.98	(4,540.26)	15,370,395.55
Machinery and Equipment*	2,030,076.00	167,389.53	(154,901.39)	2,042,564.14
TOTAL	<u>21,144,229.33</u>	<u>761,810.51</u>	<u>(159,441.65)</u>	<u>21,746,598.19</u>
Less Accumulated Depreciation for:				
Buildings	669,535.69	95,693.88		765,229.57
Improvements Other Than Buildings	2,354,570.63	636,847.26	(4,540.26)	2,986,877.63
Machinery and Equipment	1,017,806.46	169,880.68	(152,208.89)	1,035,478.25
Total Accumulated Depreciation	<u>4,041,912.78</u>	<u>902,421.82</u>	<u>(156,749.15)</u>	<u>4,787,585.45</u>
Total Governmental Activities Capital Assets being Depreciated, Net	<u>17,102,316.55</u>	<u>(140,611.31)</u>	<u>(2,692.50)</u>	<u>16,959,012.74</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,691,868.80</u>	<u>\$ 109,286.45</u>	<u>\$ (427,056.70)</u>	<u>\$ 18,374,098.55</u>

Depreciation Expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 24,032.63
Public Safety	83,743.60
Public Works	633,667.41
Health and Welfare	1,240.02
Culture and Recreation	159,738.16
Total Depreciation Expense-Governmental Activities	<u>\$ 902,421.82</u>

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 1,719,941.10	\$	\$	\$ 1,719,941.10
CWIP		54,839.30		54,839.30
Total Capital Assets, not being Depreciated	1,719,941.10	54,839.30		1,774,780.40
Capital Assets, being Depreciated:				
Buildings	4,172,064.60			4,172,064.60
Improvements Other than Buildings	15,663,691.49		(6,510.52)	15,657,180.97
Machinery and Equipment	2,144,626.62	96,712.47	(73,612.05)	2,167,727.04
TOTAL	21,980,382.71	96,712.47	(80,122.57)	21,996,972.61
Less Accumulated Depreciation for:				
Buildings	1,225,355.46	96,369.08		1,321,724.54
Improvements Other Than Buildings	3,943,932.95	363,473.99	(6,510.52)	4,300,896.42
Machinery and Equipment	1,326,850.03	191,798.50	(73,612.05)	1,445,036.48
Total Accumulated Depreciation	6,496,138.44	651,641.57	(80,122.57)	7,067,657.44
Total Business-Type Activities Capital Assets being Depreciated, Net	15,484,244.27	(554,929.10)		14,929,315.17
Business-Type Activities Capital Assets, Net	\$ 17,204,185.37	\$ (500,089.80)	\$ 0.00	\$ 16,704,095.57

Depreciation Expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 279,634.94
Sewer	234,951.02
Golf Course	137,055.61
Total Depreciation Expense-Business-Type Activities	\$ 651,641.57

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

Project Name	Project Authorization	Expended through 12/31/11	Committed	Required Future Financing
<u>Governmental Activities</u>				
West Holly Blvd Project	\$ 93,800.00	\$ 92,580.43	\$ 1,219.57	
Aspen Blvd Street Improvements	304,300.00	146,239.95	158,060.05	
Aspen Bike Trail	1,152,000.00	9,775.49	1,142,224.51	
Hockey Rink	30,000.00	27,537.52	2,462.48	
Splitrock Creek Levee	20,000.00	9,000.00	11,000.00	
Total Governmental Activities	1,600,100.00	285,133.39	1,314,966.61	
<u>Business-Type Activities:</u>				
Phase II Sylvan Circle-Water	34,250.00	6,310.79	27,939.21	
Phase II Sylvan Circle-Sewer	34,250.00	6,310.76	27,939.24	
WW Treatment Facility Sludge Removal	51,500.00	17,639.80	33,860.20	
Golf Course Retaining Wall	37,000.00	24,577.95	12,422.05	
Total Business-Type Activities	157,000.00	54,839.30	102,160.70	
Total Governmental and Business-Type Activities	\$ 1,757,100.00	\$ 339,972.69	\$ 1,417,127.31	\$

NOTE 8 - CHANGES IN LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended December 31, 2011 is as follows:

	01/01/11 Beginning Balance	Additions	Retired	12/31/11 Ending Balance	Due within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable - Revenue	\$ 3,651,494.57	\$	\$ 316,485.66	\$ 3,335,008.91	\$ 331,240.86
State Revolving Funds	344,925.00		23,270.91	321,654.09	31,643.32
Note Payable	2,191,462.55		168,832.86	2,022,629.69	113,497.29
Special Assessments:	1,435,083.16		237,971.12	1,197,112.04	247,095.01
Accrued Compensated Absences- Governmental Funds	94,317.10	111,511.69	94,317.10	111,511.69	27,877.69
Total Governmental Activities	7,717,282.38	111,511.69	840,877.65	6,987,916.42	751,354.17
Business-Type Activities:					
Bonds Payable - Revenue	1,166,528.60		196,082.19	970,446.41	206,187.47
Notes Payable	121,815.55		28,049.25	93,766.30	29,594.80
Certificates of Participation	1,262,308.67		89,317.76	1,172,990.91	93,694.33
Accrued Compensated Absences- Business-Type Funds	107,751.52	111,750.97	107,751.52	111,750.97	27,936.97
Total Business-Type Activities	2,658,404.34	111,750.97	421,200.72	2,348,954.59	357,413.57
Total Primary Government	\$ 10,375,686.72	\$ 223,262.66	\$ 1,262,078.37	\$ 9,336,871.01	\$ 1,108,767.74

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

	General Long-Term Debt	Enterprise Funds
<u>Certificates of Participation</u>		
2002 Golf Course Improvement Certificates--with a varying interest rate of 3.95% to 6.25% depending on time to maturity. Final Maturity Date of December 2021, Retired by the Golf Course Fund.		\$ 1,172,990.91
<u>Revenue Bonds</u>		
West Side Utilities Sales Tax Revenue Bond--Series 2002, 3.95% interest, Final Maturity Date of November 2012, Retired by the General Fund.	\$ 93,843.01	
Utility Revenue Bond--Series 2003, 4.25% interest, Final Maturity Date of December 2013, 78.35% is retired from General Fund.	182,084.47	
Sales Tax Revenue Bond--Series 2005A, 5.00% interest, Final Maturity Date of September 2035, Retired by the General Fund.	502,269.76	
Sales Tax Revenue Bond--Series 2005B, 4.25% interest, Final Maturity Date of October 2035, Retired by the General Fund.	495,137.78	
Sales Tax Revenue Bond--Series 2007, 6.00% interest, Final Maturity Date of September 2023, Retired by the General Fund.	2,061,673.89	
Water Improvement Revenue Bonds--Series 1999, 5.0% interest, Final Maturity Date of December 2015, Retired by Water Fund.		526,271.37
Sales Tax Revenue Bond--Series 2008, 6.00% interest, Final Maturity Date of September 2018, Retired by the Water Fund.		444,175.04
TOTAL REVENUE BONDS	\$ 3,335,008.91	\$ 970,446.41

	<u>General Long-Term Debt</u>	<u>Enterprise Funds</u>
<u>State Revolving Loan:</u>		
State Revolving Fund Loan; 2.25% Interest, Final Maturity Date of January 15, 2021: Retired by the General Fund.	\$ 321,654.09	
<u>Special Assessment Bonds</u>		
N. Sioux Blvd, Special Assessment Bond-Series 2002, 5.0% interest. Final Maturity date of September 2012, Retired by Debt Service Fund	\$ 65,985.67	
Park Street Special Assessment Bond-Series 2004, 4.0% interest. Final Maturity date of September 2014, Retired by Debt Service Fund	111,196.67	
Chestnut Blvd. Special Assessment Bond-Series 2006, 5.0% interest. Final Maturity date of September 2016, Retired by Debt Service Fund	260,000.00	
Chestnut Blvd. 2007 Sp. Assessment Bond-Series 2007, 5.0% interest. Final Maturity date of September 2017, Retired by Debt Service Fund	361,903.38	
NE Lift & Express 2008 Sp. Assessment Bond-Series 2008, 4.5% interest. Final Maturity date of September 2018, Retired by Debt Service Fund	167,560.34	
Country Club Heights Sp. Assessment Bond-Series 2009, 4.75% interest. Final Maturity date of March 2019, Retired by Debt Service Fund	230,465.98	
TOTAL SPECIAL ASSESSMENT BONDS	<u>\$ 1,197,112.04</u>	

The Municipality of Brandon agrees that it will, at the expiration of the terms of these issues, or upon earlier call, retire any bonds not normally retired from the proceeds of the special assessments pledged for the retirement of the bonds.

	<u>General Long-Term Debt</u>	<u>Enterprise Funds</u>
<u>Note Payable</u>		
2006 TIF Note –4% interest rate, Final date of maturity December 2025, Retired from TIF Special Revenue and Debt Service Funds.	\$ 1,165,180.93	
2009 TIF Note –4.15% interest rate, Final date of maturity June 2024, Retired from TIF Special Revenue and Debt Service Funds.	674,382.33	
2009 TIF Note –5.45% interest rate, Final date of maturity December 2014, Retired from TIF Debt Service Fund.	183,066.43	
2009 Promissory Note –5.38% interest rate, Final date of maturity December 2014, Retired from Golf Course Fund.		93,766.30
TOTAL OF NOTES PAYABLE	<u>\$ 2,022,629.69</u>	<u>\$ 93,766.30</u>

	<u>General Long-Term Debt</u>	<u>Enterprise Funds</u>
<u>Compensated Absences</u>		
Accumulated Liability for Unused Vacation and Sick Leave. Payments to be made by the funds that payroll expenditures are charged to.	<u>\$ 111,511.69</u>	<u>\$ 111,750.97</u>

The annual requirements to amortize all debt outstanding as of December 31, 2011, except for compensated absences, but including interest payments of \$3,030,738.35 are as follows:

Year Ended Dec 31,	Revenue Bonds		State Revolving Loan		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 538,844	\$ 212,507	\$ 31,643	\$ 6,971	\$ 247,095	\$ 58,605
2013	467,489	187,252	32,361	6,253	192,368	43,611
2014	392,481	164,609	33,096	5,519	198,918	34,515
2015	283,462	145,468	33,847	4,768	170,701	25,113
2016	251,424	131,688	34,615	4,000	181,270	16,743
2017-2021	1,229,162	450,313	156,093	8,020	206,760	10,841
2022-2026	646,926	164,534				
2027-2031	252,305	85,229				
2032-2036	243,363	25,662				
Total	\$ 4,305,455	\$ 1,567,263	\$ 321,654	\$ 35,533	\$ 1,197,112	\$ 189,428

Year Ended Dec 31,	Certificates of Participation		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 93,694	\$ 57,477	\$ 143,093	\$ 127,653	\$ 1,054,370	\$ 463,213
2013	98,285	52,886	151,491	119,256	941,994	409,258
2014	103,101	48,070	160,408	110,337	888,004	363,050
2015	108,153	43,018	228,471	101,713	824,634	320,080
2016	113,453	37,718	117,701	88,489	698,462	278,639
2017-2021	656,304	99,550	707,835	323,117	2,956,153	891,841
2022-2026			558,813	80,185	1,205,739	244,720
2027-2031			48,586		300,891	85,229
2032-2036					243,363	25,662
Total	\$ 1,172,991	\$ 338,718	\$ 2,116,397	\$ 950,751	\$ 9,113,609	\$ 3,081,693

NOTE 9 – Wastewater Agreement

In November 1994, the City of Brandon entered into a 20-year agreement with the City of Sioux Falls to obtain wastewater treatment services. An annual administrative fee of \$2,000 is paid by the City of Brandon to the City of Sioux Falls along with a charge of \$0.79 per 1000 gallons of volume of wastewater discharged from the sewer system of Brandon into the Sioux Falls Wastewater Treatment Facility. The annual administrative fee is for the role of implementation and enforcement of an Industrial Pretreatment Program on industrial users in Brandon. Payments are made from the city's Sewer Fund.

NOTE 10 – Restricted Net Assets

Restricted net assets for the year ended December 31, 2011 were as follows:

Debt Service Funds	\$ 946,494.93
Capital Improvement and Debt Service Funds	457,220.61
Community Development	676,550.36
SDPAA Contribution	35,276.56
Total Restricted Net Assets	\$ 2,115,542.46

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

NOTE 11 – 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's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by 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. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The city's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$109,644.26, \$107,960.87, and \$104,432.91 respectively, equal to the required contributions each year.

NOTE 12 – Risk Management

The city is exposed to various risks of loss related to tort; 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 city managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage will be provided to varying limits. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$ 1,000 deductible for the official's liability coverage and \$500 deductible for property coverage. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation:

The city joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on the behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a 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 an additional \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits

The city provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTE 13 – Interfund Transfers

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

<u>Transfers From:</u>	<u>Transfers To:</u>			Total
	Aggregate Other Governmental Funds	Golf Course Fund	Nonmajor Enterprise Fund	
Major Funds: General Fund	<u>\$ 537,495.56</u>	<u>103,221.24</u>	<u>20,803.69</u>	<u>\$ 661,520.49</u>

The City typically budgets transfers of money to conduct the indispensable functions of the City and to close out old debt service and capital project funds.

NOTE 14 – Significant Contingencies-Litigation

At December 31, 2011, the City was involved in a wrongful death lawsuit. No determination can be made at this time regarding the potential outcome of the lawsuit; however, the City has liability coverage for compensatory damages with a commercial carrier. Therefore, no material effects are anticipated to the City as a result of the potential outcome of the lawsuit.

NOTE 15 – Prior Period Adjustment

A prior period adjustment totaling \$ 265,336.99 was made to the governmental activities in the Government-wide statements relating to unrecorded revenue due to the accrual basis of accounting.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 1,869,431.00	\$ 1,869,431.00	\$ 1,871,353.86	\$ 1,922.86
General Sales and Use Taxes	1,800,000.00	1,800,000.00	2,000,778.90	200,778.90
Amusement Taxes	1,000.00	1,000.00	1,584.00	584.00
Penalties and Interest on Delinquent Taxes	2,050.00	2,050.00	2,836.12	786.12
Licenses and Permits	76,812.00	76,812.00	92,393.84	15,581.84
Intergovernmental Revenue:				
Federal Grants	52,967.00	65,817.00	96,674.46	30,857.46
State Grants	36,581.00	36,581.00	7,568.00	(29,013.00)
State Shared Revenue:				
Bank Franchise Tax	50,000.00	50,000.00	19,923.20	(30,076.80)
Liquor Tax Reversion	32,000.00	32,000.00	35,607.42	3,607.42
Motor Vehicle Licenses (5%)	23,000.00	23,000.00	26,007.11	3,007.11
Local Government Highway and Bridge Fund	32,000.00	32,000.00	38,563.15	6,563.15
Other	3,000.00	3,000.00	4,503.25	1,503.25
County Shared Revenue:				
County Wheel Tax	8,000.00	8,000.00	8,421.25	421.25
Charges for Goods and Services:				
General Government	950.00	950.00	2,455.00	1,505.00
Public Safety	38,750.00	38,750.00	49,793.11	11,043.11
Sanitation	1,250.00	1,250.00	3,191.50	1,941.50
Health	500.00	500.00	100.00	(400.00)
Culture and Recreation	85,700.00	85,700.00	100,200.65	14,500.65
Other			91,785.71	91,785.71
Fines and Forfeits:				
Court Fines and Costs	17,500.00	17,500.00	6,954.42	(10,545.58)
Miscellaneous Revenue:				
Investment Earnings	7,000.00	7,000.00	3,184.64	(3,815.36)
Rentals			95.00	95.00
Street Assessments	75,000.00	75,000.00	80,205.20	5,205.20
Contributions and Donations from Private Sources	89,607.00	89,607.00	2,265.00	(87,342.00)
Other	10,300.00	10,300.00	25,321.26	15,021.26
Total Revenue	<u>4,313,398.00</u>	<u>4,326,248.00</u>	<u>4,571,766.05</u>	<u>245,518.05</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BRANDON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	71,042.00	71,042.00	59,216.17	11,825.83
Executive	221,698.00	221,698.00	195,017.54	26,680.46
Elections	1,165.00	1,165.00	581.57	583.43
Financial Administration	206,284.00	256,284.00	234,459.15	21,824.85
Other	48,500.00	61,350.00	59,532.77	1,817.23
Total General Government	<u>548,689.00</u>	<u>611,539.00</u>	<u>548,807.20</u>	<u>62,731.80</u>
Public Safety:				
Police	1,072,908.00	1,072,908.00	1,028,315.16	44,592.84
Fire	130,059.00	130,059.00	107,730.12	22,328.88
Protective Inspection	155,655.00	155,655.00	143,573.11	12,081.89
Other Protection	12,200.00	12,200.00	8,327.56	3,872.44
Total Public Safety	<u>1,370,822.00</u>	<u>1,370,822.00</u>	<u>1,287,945.95</u>	<u>82,876.05</u>
Public Works:				
Highways and Streets	725,306.00	725,306.00	669,498.67	55,807.33
Sanitation	6,200.00	6,200.00	4,817.20	1,382.80
Transit	132,235.00	138,235.00	138,010.42	224.58
Total Public Works	<u>863,741.00</u>	<u>869,741.00</u>	<u>812,326.29</u>	<u>57,414.71</u>
Health and Welfare	8,600.00	8,600.00	3,872.96	4,727.04
Culture and Recreation:				
Recreation	189,216.00	189,216.00	167,193.21	22,022.79
Parks	426,513.00	514,513.00	505,347.99	9,165.01
Libraries	10,000.00	10,000.00		10,000.00
Total Culture and Recreation	<u>625,729.00</u>	<u>713,729.00</u>	<u>672,541.20</u>	<u>41,187.80</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	399,036.00	399,036.00	100,487.26	298,548.74
Debt Service	776,685.00	776,685.00	754,580.05	22,104.95
Contingency	50,000.00			
Total Expenditures	<u>4,643,302.00</u>	<u>4,750,152.00</u>	<u>4,180,560.91</u>	<u>569,591.09</u>
Excess of Revenue Over (Under) Expenditures	<u>(329,904.00)</u>	<u>(423,904.00)</u>	<u>391,205.14</u>	<u>815,109.14</u>
Other Financing Sources (Uses):				
Transfers In (Out)		(661,520.49)	(661,520.49)	
Sale of Municipal Property			2,900.00	2,900.00
Compensation for Loss/ Damage to Capital Assets			1,653.19	1,653.19
Proceeds of General Long-Term Debt Issued	60,000.00	60,000.00		(60,000.00)
Total Other Financing Sources (Uses)	<u>60,000.00</u>	<u>(601,520.49)</u>	<u>(656,967.30)</u>	<u>(55,446.81)</u>
Net Change in Fund Balances	<u>(269,904.00)</u>	<u>(1,025,424.49)</u>	<u>(265,762.16)</u>	<u>759,662.33</u>
Net Change in Fund Balance Reserves			16,222.67	16,222.67
Fund Balance - Beginning Balance	1,427,106.82	1,427,106.82	1,427,106.82	
FUND BALANCE - ENDING	<u>\$ 1,157,202.82</u>	<u>\$ 401,682.33</u>	<u>\$ 1,177,567.33</u>	<u>\$ 775,885.00</u>

CITY OF BRANDON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/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 the 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. Unexpected appropriations lapse at year-end unless encumbered by the resolution of the Governing Board/Municipality Commission.

Encumbrances 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, special revenue fund, and capital projects funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and capital project funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund, special revenue funds, and capital project funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP).

Note 2: GAAP/ Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

**CITY OF BRANDON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Revenue Nonmajor Governmental Funds	Debt Service Nonmajor Governmental Funds	Capital Projects Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 945,873.42	\$ 284,770.91	\$	\$ 1,230,644.33
Accounts Receivable	2,998.00			2,998.00
Special Assessments Receivable--Current		172,707.96		172,707.96
Special Assessments Receivable--Deferred		652,664.49		652,664.49
Notes Receivable--Current	14,109.68			14,109.68
Notes Receivable--Noncurrent	116,102.34			116,102.34
Due from Other Governments	2,772.81			2,772.81
Investments	168,915.99	6,853.86		175,769.85
TOTAL ASSETS	<u>1,250,772.24</u>	<u>1,116,997.22</u>		<u>2,367,769.46</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Advances From Water Fund	92,175.37	170,502.29		262,677.66
Accounts Payable			24,825.90	24,825.90
Deferred Revenue		825,372.45		825,372.45
Total Liabilities	<u>92,175.37</u>	<u>995,874.74</u>	<u>24,825.90</u>	<u>1,112,876.01</u>
Fund Balances:				
Nonspendable	116,102.34			116,102.34
Restricted	1,131,671.90	291,624.77		1,423,296.67
Unassigned	(89,177.37)	(170,502.29)	(24,825.90)	(284,505.56)
Total Fund Balances	<u>1,158,596.87</u>	<u>121,122.48</u>	<u>(24,825.90)</u>	<u>1,254,893.45</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,250,772.24</u>	<u>\$ 1,116,997.22</u>	<u>\$ 0.00</u>	<u>\$ 2,367,769.46</u>

CITY OF BRANDON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Nonmajor Governmental Funds	Debt Service Nonmajor Governmental Funds	Capital Projects Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes:				
General Property Taxes	\$	\$ 130,131.25	\$	\$ 130,131.25
General Sales and Use Tax	180,456.65			180,456.65
Gross Receipts Business Tax	55,978.00			55,978.00
Miscellaneous Revenue:				
Interest Earnings	7,433.54	1,181.52		8,615.06
Special Assessments	5,396.35	235,112.46	9,900.00	250,408.81
Total Revenue	<u>249,264.54</u>	<u>366,425.23</u>	<u>9,900.00</u>	<u>625,589.77</u>
Expenditures:				
General Government:				
Other	109,275.00			109,275.00
Conservation and Development:				
Economic Development and Assistance	15,846.63			15,846.63
Debt Service	61,421.18	480,262.05		541,683.23
Capital Outlay	2,600.00		210,760.24	213,360.24
Total Expenditures	<u>189,142.81</u>	<u>480,262.05</u>	<u>210,760.24</u>	<u>880,165.10</u>
Excess of Revenue Over (Under)				
Expenditures	<u>60,121.73</u>	<u>(113,836.82)</u>	<u>(200,860.24)</u>	<u>(254,575.33)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(285,855.48)</u>	<u>141,945.53</u>	<u>681,405.51</u>	<u>537,495.56</u>
Total Other Financing Sources (Uses)	<u>(285,855.48)</u>	<u>141,945.53</u>	<u>681,405.51</u>	<u>537,495.56</u>
Net Change in Fund Balances	(225,733.75)	28,108.71	480,545.27	282,920.23
Fund Balance - January 1, 2011	<u>1,384,330.62</u>	<u>93,013.77</u>	<u>(505,371.17)</u>	<u>971,973.22</u>
FUND BALANCE - DECEMBER 31, 2011	<u>\$ 1,158,596.87</u>	<u>\$ 121,122.48</u>	<u>\$ (24,825.90)</u>	<u>\$ 1,254,893.45</u>

**CITY OF BRANDON
COMBINING BALANCE SHEET
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Third Cent Sales Tax Fund	2006 TIF Special Revenue Fund	Brandon Revolving Loan Fund	Total
ASSETS:				
Cash and Cash Equivalents	\$ 562,752.11	\$	\$ 383,121.31	\$ 945,873.42
Accounts Receivable		2,998.00		2,998.00
Notes Receivable-Current			14,109.68	14,109.68
Notes Receivable-Noncurrent			116,102.34	116,102.34
Due from Other Governments	2,772.81			2,772.81
Investments	5,698.96		163,217.03	168,915.99
TOTAL ASSETS	<u>571,223.88</u>	<u>2,998.00</u>	<u>676,550.36</u>	<u>1,250,772.24</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Advance From Water Fund		92,175.37		92,175.37
Total Liabilities		<u>92,175.37</u>		<u>92,175.37</u>
Fund Balances:				
Nonspendable			116,102.34	116,102.34
Restricted	571,223.88		560,448.02	1,131,671.90
Unassigned		(89,177.37)		(89,177.37)
Total Fund Balances	<u>571,223.88</u>	<u>(89,177.37)</u>	<u>676,550.36</u>	<u>1,158,596.87</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 571,223.88</u>	<u>\$ 2,998.00</u>	<u>\$ 676,550.36</u>	<u>\$ 1,250,772.24</u>

**CITY OF BRANDON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Third Cent Sales Tax Fund	Second Cent Sales Tax Revenue Fund	2006 TIF Special Revenue Fund	Brandon Revolving Loan Fund	Total
Revenues:					
Taxes:					
General Sales and Use Tax	\$ 180,456.65	\$	\$	\$	\$ 180,456.65
Other Tax			55,978.00		55,978.00
Miscellaneous Revenue:					
Interest Earnings	1,171.31	456.44		5,805.79	7,433.54
Special Assessments		5,396.35			5,396.35
Total Revenue	<u>181,627.96</u>	<u>5,852.79</u>	<u>55,978.00</u>	<u>5,805.79</u>	<u>249,264.54</u>
Expenditures:					
General Government:					
Other	109,275.00				109,275.00
Conservation and Development:					
Economic Development and Assistance	15,000.00			846.63	15,846.63
Debt Service			61,421.18		61,421.18
Capital Outlay	<u>2,600.00</u>				<u>2,600.00</u>
Total Expenditures	<u>126,875.00</u>		<u>61,421.18</u>	<u>846.63</u>	<u>189,142.81</u>
Excess of Revenue Over (Under)					
Expenditures	<u>54,752.96</u>	<u>5,852.79</u>	<u>(5,443.18)</u>	<u>4,959.16</u>	<u>60,121.73</u>
Other Financing Sources (Uses):					
Transfer In (Out)		<u>(285,855.48)</u>			<u>(285,855.48)</u>
Total Other Financing Sources (Uses):		<u>(285,855.48)</u>			<u>(285,855.48)</u>
Net Change in Fund Balances	54,752.96	(280,002.69)	(5,443.18)	4,959.16	(225,733.75)
Fund Balance - January 1, 2010	<u>516,470.92</u>	<u>280,002.69</u>	<u>(83,734.19)</u>	<u>671,591.20</u>	<u>1,384,330.62</u>
FUND BALANCE - DECEMBER 31, 2011	<u>\$ 571,223.88</u>	<u>\$ 0.00</u>	<u>\$ (89,177.37)</u>	<u>\$ 676,550.36</u>	<u>\$ 1,158,596.87</u>

CITY OF BRANDON
 COMBINING BALANCE SHEET
 DEBT SERVICE NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

	North Sioux Boulevard Debt Service Fund	TIF Debt Service Fund	Park Street Special Assessment Debt Service Fund	Chestnut Blvd Debt Service Fund	Chestnut Blvd Mid Debt Service Fund	Expr Ave/ FC Lift Debt Service Fund	TIF Covention Center Debt Service Fund	CC Heights Debt Service Fund	TIF Hemlock Blvd. Debt Service Fund	Total
ASSETS:										
Cash and Cash Equivalents	\$ 94,318.12	\$ 52,450.30	\$	\$ 62,716.95	\$ 59,230.28	\$ 1,141.43	\$	\$ 14,913.83	\$	\$ 284,770.91
Special Assessments Receivable--Current	45,801.91		28,049.48	36,189.65	32,379.69	6,250.41		24,036.82		172,707.96
Special Assessments Receivable--Deferred			140,247.40	144,758.58	161,898.41	37,502.36		168,257.74		652,664.49
Investments	<u>2,430.92</u>	<u>2,107.37</u>		<u>1,149.23</u>	<u>647.18</u>	<u>444.98</u>		<u>74.18</u>		<u>6,853.86</u>
TOTAL ASSETS	<u>142,550.95</u>	<u>54,557.67</u>	<u>168,296.88</u>	<u>244,814.41</u>	<u>254,155.56</u>	<u>45,339.18</u>		<u>207,282.57</u>		<u>\$ 1,116,997.22</u>
LIABILITIES AND FUND BALANCES:										
Liabilities:										
Advances From Water Fund Deferred Revenue	<u>45,801.91</u>		<u>168,296.88</u>	<u>180,948.23</u>	<u>194,278.10</u>	<u>43,752.77</u>	33,047.83	<u>192,294.56</u>	137,454.46	<u>170,502.29</u> <u>825,372.45</u>
Total Liabilities	<u>45,801.91</u>		<u>168,296.88</u>	<u>180,948.23</u>	<u>194,278.10</u>	<u>43,752.77</u>	<u>33,047.83</u>	<u>192,294.56</u>	<u>137,454.46</u>	<u>995,874.74</u>
Fund Balances:										
Restricted	96,749.04	54,557.67		63,866.18	59,877.46	1,586.41		14,988.01		291,624.77
Unassigned							(33,047.83)		(137,454.46)	(170,502.29)
Total Fund Balances	<u>96,749.04</u>	<u>54,557.67</u>		<u>63,866.18</u>	<u>59,877.46</u>	<u>1,586.41</u>	<u>(33,047.83)</u>	<u>14,988.01</u>	<u>(137,454.46)</u>	<u>121,122.48</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 142,550.95</u>	<u>\$ 54,557.67</u>	<u>\$ 168,296.88</u>	<u>\$ 244,814.41</u>	<u>\$ 254,155.56</u>	<u>\$ 45,339.18</u>	<u>\$</u>	<u>\$ 207,282.57</u>	<u>\$</u>	<u>\$ 1,116,997.22</u>

CITY OF BRANDON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- DEBT SERVICE NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	North Sioux Boulevard Debt Service Fund	TIF Debt Service Fund	Park Street Special Assessment Debt Service Fund	Chestnut Blvd Debt Service Fund	Chestnut Blvd Mid Debt Service Fund	Expr Ave/ FC Lift Debt Service Fund	TIF Covention Center Debt Service Fund	CC Heights Debt Service Fund	TIF Hemlock Blvd. Debt Service Fund	Total
Revenues:										
Taxes:										
General Property Taxes	\$	\$65,654.03	\$	\$	\$	\$	\$ 64,477.22	\$	\$	\$130,131.25
Miscellaneous Revenue:										
Interest Earnings	321.23	410.79		219.14	186.77	6.41		37.18		1,181.52
Special Assessments	50,382.10		37,826.80	50,127.24	48,245.74	9,350.56		39,180.02		235,112.46
Total Revenue	<u>50,703.33</u>	<u>66,064.82</u>	<u>37,826.80</u>	<u>50,346.38</u>	<u>48,432.51</u>	<u>9,356.97</u>	<u>64,477.22</u>	<u>39,217.20</u>		<u>366,425.23</u>
Expenditures:										
Debt Service	69,284.95	30,642.04	40,069.57	60,402.50	70,561.84	27,985.34	76,603.94	36,546.62	68,165.25	480,262.05
Total Expenditures	<u>69,284.95</u>	<u>30,642.04</u>	<u>40,069.57</u>	<u>60,402.50</u>	<u>70,561.84</u>	<u>27,985.34</u>	<u>76,603.94</u>	<u>36,546.62</u>	<u>68,165.25</u>	<u>480,262.05</u>
Excess of Revenue Over (Under) Expenditures	(18,581.62)	35,422.78	(2,242.77)	(10,056.12)	(22,129.33)	(18,628.37)	(12,126.72)	2,670.58	(68,165.25)	(113,836.82)
Other Financing Sources (Uses):										
Transfer In (Out)			141,945.53							141,945.53
Total Other Financing Sources (Uses):			<u>141,945.53</u>							<u>141,945.53</u>
Net Change in Fund Balances	(18,581.62)	35,422.78	139,702.76	(10,056.12)	(22,129.33)	(18,628.37)	(12,126.72)	2,670.58	(68,165.25)	28,108.71
Fund Balance - January 1, 2011	115,330.66	19,134.89	(139,702.76)	73,922.30	82,006.79	20,214.78	(20,921.11)	12,317.43	(69,289.21)	93,013.77
FUND BALANCE - DECEMBER 31, 2011	<u>\$ 96,749.04</u>	<u>\$54,557.67</u>	<u>\$</u>	<u>\$63,866.18</u>	<u>\$59,877.46</u>	<u>\$ 1,586.41</u>	<u>\$(33,047.83)</u>	<u>\$14,988.01</u>	<u>\$(137,454.46)</u>	<u>\$121,122.48</u>

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**CITY OF BRANDON
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2011**

	<u>West Holly Street Project</u>	<u>Aspen Blvd. Project</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 0.00	\$ 0.00	\$ 0.00
TOTAL ASSETS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	<u>9,832.50</u>	<u>14,993.40</u>	<u>24,825.90</u>
Total Liabilities	<u>9,832.50</u>	<u>14,993.40</u>	<u>24,825.90</u>
 Fund Balances:			
Unassigned	<u>(9,832.50)</u>	<u>(14,993.40)</u>	<u>(24,825.90)</u>
Total Fund Balances	<u>(9,832.50)</u>	<u>(14,993.40)</u>	<u>(24,825.90)</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Bethany Meadows Drainage Capital Project Fund	TIF #3 Corson- Hemlock Capital Project Fund	West Holly Street Project	Aspen Blvd. Project	Bike Trail Project	Total Capital Projects Funds
Revenues:						
Miscellaneous Revenue:						
Special Assessments	\$ 9,900.00	\$ _____	\$ _____	\$ _____	\$ _____	\$ 9,900.00
Total Revenue	<u>9,900.00</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>9,900.00</u>
Expenditures:						
Public Works						
Capital Outlay	_____	_____	58,995.00	141,989.75	9,775.49	210,760.24
Total Expenditures	<u>_____</u>	<u>_____</u>	<u>58,995.00</u>	<u>141,989.75</u>	<u>9,775.49</u>	<u>210,760.24</u>
Excess of Revenue Over (Under)						
Expenditures	9,900.00	_____	(58,995.00)	(141,989.75)	(9,775.49)	(200,860.24)
Other Financing Sources (Uses):						
Transfer In (Out)	246,905.66	217,112.25	76,365.56	131,246.55	9,775.49	681,405.51
Total Other Financing Sources (Uses)	<u>246,905.66</u>	<u>217,112.25</u>	<u>76,365.56</u>	<u>131,246.55</u>	<u>9,775.49</u>	<u>681,405.51</u>
Net Change in Fund Balances	256,805.66	217,112.25	17,370.56	(10,743.20)	0.00	480,545.27
Fund Balance -						
January 1, 2011	(256,805.66)	(217,112.25)	(27,203.06)	(4,250.20)	0.00	(505,371.17)
FUND BALANCE -						
DECEMBER 31, 2011	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (9,832.50)</u>	<u>\$ (14,993.40)</u>	<u>\$ 0.00</u>	<u>\$ (24,825.90)</u>

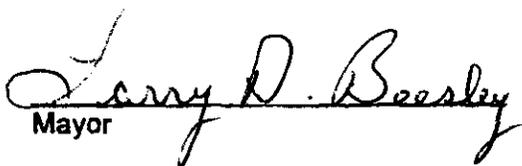
**CITY OF BRANDON
304 MAIN AVE.
BRANDON, SD 57004**

Corrective Action Plan

The City of Brandon has considered the lack of segregation of duties for the revenue and expenditure functions.

At this time it is not cost efficient for the City of Brandon to hire additional staff needed to achieve segregation of duties. The City of Brandon has implemented alternate procedures, to decrease the likelihood that financial data is adversely affected.

The City of Brandon is attempting to achieve current status regarding reporting issues as quickly as possible.


Mayor


Finance Officer/City Administrator