

CITY OF WHITE  
WHITE, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2011  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

CITY OF WHITE  
WHITE, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2011

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

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Governing Board  
City of White  
White, South Dakota

## INDEPENDENT AUDITOR'S REPORT

01. [Introduction] I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of White (City), Brookings County, South Dakota, as of December 31, 2011, and for each of the years in the biennial period 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 White's management. My responsibility is to express opinions on these financial statements based on my audit.

02. [Scope] Except as described in paragraph 03, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 City's internal control over financial reporting. Accordingly, I 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. I believe my audit provides a reasonable basis for my opinions.

03. [Scope Limitation: General Fund Coding] An undetermined amount of general fund cash disbursements for public works was miscoded to general fund cash disbursements for general government. Alternative audit procedures were not practical with respect to these coding amounts.

04. [Modified Cash Basis] As described in note 1c, the City of White prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. Consequently certain receipts are recognized when received rather than when earned and certain disbursements are recognized when paid rather than when the obligation is incurred. It is not the intention of the City of White to present its financial statements in accordance with generally accepted accounting principles.

### Government-wide financial statements:

05. [Qualified Opinion: Governmental Activities] In my opinion, except for the effects of adjustments, which cannot be determined, of public works cash disbursements that were miscoded to general government cash disbursements, as described in paragraph 03 above, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position and changes in financial position of governmental activities of the City of White, South Dakota, as of December 31, 2011 and for each of the years in the biennial period then ended, in conformity with the modified cash basis of accounting described in paragraph 04 above.

06. [Unqualified Opinion: Business-Type Activities] Further, in my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position and changes in financial position of business-type activities of the City of White, South Dakota, as of December 31, 2011 and for each of the years in the biennial period then ended, in conformity with the modified cash basis of accounting described in paragraph 04 above.

Fund financial statements:

07. [Qualified Opinion: General Fund] Further, in my opinion, the effects of adjustments, which cannot be determined, of public works cash disbursements that were miscoded to general government cash disbursements, as described in paragraph 03 above, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position and changes in financial position of the general fund of the City of White, South Dakota, as of December 31, 2011 and for each of the years in the biennial period then ended, in conformity with the modified cash basis of accounting described in paragraph 04 above.

08. [Unqualified Opinion: Water, Electric, and Sewer Funds] Finally, in my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position and changes in financial position of the water, electric, and sewer funds of the City of White, South Dakota, as of December 31, 2011 and for each of the years in the biennial period then ended, in conformity with the modified cash basis of accounting described in paragraph 04 above.

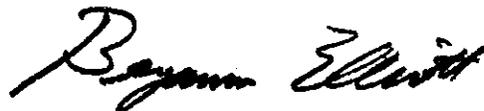
09. [Companion Report] In accordance with *Government Auditing Standards*, I have also issued my report dated January 16, 2013 (page 30) on my tests of the City of White's compliance with certain provisions of laws, regulations, contracts and other matters, and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. 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 my audit.

10. [Supplementary Information: No Opinion] My audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the City of White's basic financial statements as a whole.

The accompanying management's discussion and analysis (page 3 to 8) and the budgetary comparison schedules (page 27 to 29) listed in the table of contents as supplementary information, are presented for purpose of additional analysis and are not a required part of the basic financial statements of the City of White.

Such information has not been subject to auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



January 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of White (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2011, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

	2011	2010
Receipts:		
Charges for goods and services	575,201	523,531
Grants	0	0
General receipts	230,561	300,943
	-----	-----
Total	805,762	824,474
	-----	-----
Disbursements:		
Governmental	403,573	175,338
Business-type	505,693	418,656
	-----	-----
Total	909,266	593,994
	-----	-----
Increase (Decrease) in Net Cash Assets	(103,504)	230,480
Net Cash Assets:		
December 31, 2009		673,000
		-----
December 31, 2010	903,480	903,480
	-----	=====
December 31, 2011	799,976	
	=====	
Governmental Funds:		
General	242,851	356,951
Business-Type Funds:		
Water	41,730	35,847
Electric	318,933	321,632
Sewer	196,462	189,050
	-----	-----
Total	799,976	903,480
	=====	=====

During 2011, the City:

- \* Made improvements to East 2nd Street and Kennebeck Avenue for \$124,901.
- \* Purchased a 2002 Komatsu GD650A motor grader for \$58,000.
- \* Purchased a lot for future development of city offices and an adjoining community room for \$7,721.
- \* Built a salt/sand building for \$17,753.
- \* Built a shed at city park for \$9,231.
- \* Built a picnic shelter for \$7,893.
- \* Received \$49,672 from the Deubrook School to install a 3-phase transformer.

During 2010 the City:

- \* Received \$34,951 from the White Volunteer Fire Department to pay-off an electric fund loan used to purchase a pumper truck.
- \* Purchased Outlot 1 and a portion of Outlot 2, Sherwood's Second Addition, for campground development for \$18,900.
- \* Installed park playground equipment for \$13,237.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

This annual report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the modified cash basis financial statements (page 9 to 26) and (3) supplementary information (page 27 to 29). The modified cash basis financial statements include two kinds of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide information about the City's cash and overall receipts and disbursements.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on individual parts of the City's operations: the governmental and enterprise activities of the City.

The governmental fund financial statements tell how governmental services were financed in the short-term, as well as what remains for future spending. The governmental fund operated by the City is the general fund.

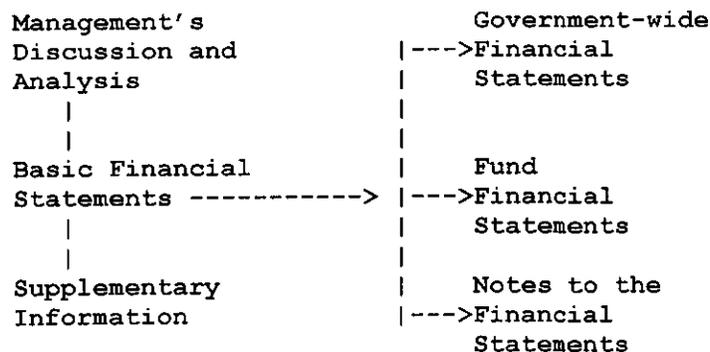
The enterprise fund financial statements offer financial information about activities the City operates like a business. Enterprise funds operated by the City are the water, electric and sewer funds.

The financial statements also include notes that explain in more detail some of the information found in the financial statements. The financial statements are followed by a section of supplementary information which presents a budgetary analysis of the general fund.

Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9) and the Budgetary Comparison Schedules (page 27 to 29) are supplementary financial information. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	-----Fund Statements-----		
		Governmental Funds	Enterprise Funds	Component Units (if any)
Scope	Entire City	City activities except enterprise (ie: water)	Activities operated like a private business (ie: water)	Separate legal entity
Required Modified Cash Basis Financial Statements	Statement of Net Cash Assets  Statement of Cash Activities	Cash Balance Sheet  Stmt. of Receipts Disbursements and Changes in Fund Cash Balances	Statement of Net Cash Assets  Stmt. of Receipts, Disbur. and Changes in Net Cash Assets  Stmt. of Cash Flows	Combining Stmt. of Net Cash Assets  Combining Stmt. of Receipts Disbur. and Changes in Net Cash Assets Combining Stmt of Cash Flows
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash and CDs No liabilities	Only cash and CDs No liabilities	Only cash and CDs No liabilities	Only cash & CDs No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbur.	Cash receipts Cash disbursements	Cash receipts Cash disbur.

#### BASIS OF ACCOUNTING

The City has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they come from cash transactions, except for the recording of certificates of deposits.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues, (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information presented within this report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

#### REPORTING THE CITY AS A WHOLE

This report includes all activities for which the City of White's Council is fiscally responsible. These activities define the City's reporting entity, which include the primary government and no component units.

GOVERNMENT-WIDE STATEMENTS  
(Reporting the City as a whole)

The government-wide statements (page 9 to 11) report information about the City as a whole using the modified cash basis of accounting. There are two government-wide statements: the Statement of Net Cash Assets and the Statement of Cash Activities.

The Statement of Net Cash Assets includes all of the government's cash and certificates of deposit. Net cash assets equals the cash plus certificates of deposit. Changes in these accounts is one way to measure the City's financial health. Increases or decreases in net cash assets measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, sales tax receipts and/or grant activity.

The Statement of Cash Activities includes all of the year's receipts and disbursements. You will notice that disbursements are listed in the first column by program. Receipts related each program are reported to the right of the disbursements. The result is a net receipt/disbursement for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include operation of the government such as the City Council, public safety, streets and highway, snow removal and recreational programs. Property taxes, sales taxes, revenue from the state, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's water, electric and sewer operations. These operations are financed mostly by user fees.

FUND FINANCIAL STATEMENTS  
(reporting the City's most significant funds)

The fund financial statements (page 12 and 13) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law and bond covenants require the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and certificates of deposit flows in and out of that fund, and (2) cash and certificates of deposit balances left at year-end which are available for spending in the next year. The governmental funds statements provide detail short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there is more or fewer cash and certificate of deposit resources available for spending in the near future to finance the City's programs. The general fund is the only governmental fund maintained by the City.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and certificates of deposit and the receipt and disbursement of cash and certificates of deposit, the same as the governmental funds. The water, electric and sewer funds are the enterprise funds maintained by the City.

MATERIAL CHANGES IN STATEMENT OF NET CASH ASSETS AND STATEMENT OF CASH ACTIVITIES

(Material changes for governmental activities = changes greater than \$ 25,000)  
 (Material changes for business-type activities = changes greater than \$ 25,000)

	Increase (Decrease)	Reason
<u>2011 Year:</u>		
Governmental Activities:		
Cash and CDs	(114,100)	Excess cash disbursements.
Sales tax	(41,723)	Several large payments received in 2010.
Public works	229,013	Street improvements of \$124,901 and the purchase of a motor grader for \$58,000.
Business-Type Activities:		
Charges for services	50,819	Sold a 3-phase transformer to the Deubrook School.
Electric fund cost	88,432	Increased cost of power and the purchase of a transformer.
<u>2010 Year:</u>		
Governmental Activities:		
Cash and CDs	130,152	Excess cash receipts.
Sales tax	48,066	Several large payments in 2010.
Business-Type Activities:		
Cash and CDs	100,328	Excess cash receipts.
Charges for services	29,057	Increased electric rates.
Fire truck loan repayment	34,951	Electric fund loan paid-off early.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2011 the City's general fund budget of \$366,179 is an increase of \$91,522 or 33.32% from 2010. The largest increase was for streets (\$91,813).

There was one supplemental appropriation to the general fund budget of \$35,976. See page 27 for more information.

In 2010 the City's general fund budget of \$274,657 is an increase of \$46,757 or 20.51% from 2009. The largest increases were for streets (\$49,031) and sanitation (23,037).

There was one supplemental appropriation to the general fund budget of \$18,737. See page 28 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

The City of White had no debt in 2010 or 2011.

CURRENTLY KNOWN FACTS

In 2012, after assessing public opposition to campground development, the City sold Outlot 1 and a portion of Outlot 2, Sherwood's Second Addition, for \$9,500.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of White's finance office at P.O. Box 682, White, SD 57276 or telephone us at 605-629-3661.

CITY OF WHITE

TABLE 1 - NET ASSETS -- MODIFIED CASH BASIS  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 AS OF DECEMBER 31, 2011, DECEMBER 31, 2010, AND DECEMBER 31, 2009

	Governmental Activities			Business-Type Activities			Total Government		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Cash assets:</b>									
Petty cash	200	200	200				200	200	200
Checking	176,119	244,881	144,561	33	44,612	18,768	176,152	289,493	163,329
Savings	66,532	111,870	82,038	407,092	351,917	277,433	473,624	463,787	359,471
Certificates of deposit				150,000	150,000	150,000	150,000	150,000	150,000
<b>Total cash</b>	<b>242,851</b>	<b>356,951</b>	<b>226,799</b>	<b>557,125</b>	<b>546,529</b>	<b>446,201</b>	<b>799,976</b>	<b>903,480</b>	<b>673,000</b>
<b>Net cash assets:</b>									
Unrestricted	242,851	356,951	226,799	557,125	546,529	446,201	799,976	903,480	673,000
<b>Total net cash assets</b>	<b>242,851</b>	<b>356,951</b>	<b>226,799</b>	<b>557,125</b>	<b>546,529</b>	<b>446,201</b>	<b>799,976</b>	<b>903,480</b>	<b>673,000</b>

TABLE 2 - CHANGES IN NET ASSETS -- MODIFIED CASH BASIS  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE THREE YEARS ENDING DECEMBER 31, 2011

	Governmental Activities			Business-Type Activities			Total Government		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Receipts:</b>									
<b>Program receipts:</b>									
Charges for services	28,650	27,799	32,519	546,551	495,732	466,675	575,201	523,531	499,194
Capital contributions			15,260			2,500			17,760
<b>General receipts:</b>									
Property taxes	92,043	88,707	86,403				92,043	88,707	86,403
Sales taxes	79,860	121,583	73,517				79,860	121,583	73,517
Receipts from state	17,732	17,419	17,021				17,732	17,419	17,021
Receipts from county	2,734	2,711	2,489				2,734	2,711	2,489
Interest received	3,490	5,311	441	935	3,298	8,483	4,425	8,609	8,924
Rent and franchise fees	7,137	6,301	6,702				7,137	6,301	6,702
Liquor mark-ups	7,147	6,658	6,758				7,147	6,658	6,758
Miscellaneous	6,500	4,524	495	2,479	2,480		8,979	7,004	495
<b>Total receipts</b>	<b>245,293</b>	<b>281,013</b>	<b>241,605</b>	<b>549,965</b>	<b>501,510</b>	<b>477,658</b>	<b>795,258</b>	<b>782,523</b>	<b>719,263</b>
<b>Disbursements:</b>									
General government	108,290	107,486	98,050				108,290	107,486	98,050
Public safety	22,930	20,976	19,561				22,930	20,976	19,561
Public works	254,688	25,675	28,270				254,688	25,675	28,270
Culture and recreation	17,665	21,201	10,718				17,665	21,201	10,718
Water operations				51,329	52,127	65,326	51,329	52,127	65,326
Electric operations				433,537	345,105	344,574	433,537	345,105	344,574
Sewer operations				20,827	21,424	32,773	20,827	21,424	32,773
<b>Total disbursements</b>	<b>403,573</b>	<b>175,338</b>	<b>156,599</b>	<b>505,693</b>	<b>418,656</b>	<b>442,673</b>	<b>909,266</b>	<b>593,994</b>	<b>599,272</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(158,280)</b>	<b>105,675</b>	<b>85,006</b>	<b>44,272</b>	<b>82,854</b>	<b>34,985</b>	<b>(114,008)</b>	<b>188,529</b>	<b>119,991</b>
<b>Other financing sources (uses):</b>									
Internal transfers	35,957	18,768	(15,260)	(35,957)	(18,768)	15,260			0
Sale of surplus property	7,177						7,177		0
Fire truck loan repayment					34,951			34,951	0
Compensation for prop damaç	1,046	5,709		2,281	1,291		3,327	7,000	0
<b>Net change in cash assets</b>	<b>(114,100)</b>	<b>130,152</b>	<b>69,746</b>	<b>10,596</b>	<b>100,328</b>	<b>50,245</b>	<b>(103,504)</b>	<b>230,480</b>	<b>119,991</b>
<b>Net cash assets:</b>									
December 31, 2008			157,053			395,956			553,009
December 31, 2009		226,799	226,799		446,201	446,201		673,000	673,000
December 31, 2010	356,951	356,951		546,529	546,529		903,480	903,480	
December 31, 2011	242,851			557,125			799,976		

CITY OF WHITE

GOVERNMENT-WIDE  
 STATEMENT OF NET CASH ASSETS  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2011

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	-----	-----	-----
Cash assets:			
Cash - petty	200		200
Cash - checking	176,119	33	176,152
Savings	66,532	398,292	464,824
Savings for customer deposits		8,800	8,800
Certificates of deposit		150,000	150,000
	-----	-----	-----
Total cash assets	242,851	557,125	799,976
	-----	-----	-----
Net cash assets:			
Unrestricted	242,851	557,125	799,976
	-----	-----	-----
Total net cash assets	242,851	557,125	799,976
	=====	=====	=====

See accompanying notes.

CITY OF WHITE

GOVERNMENT-WIDE  
STATEMENT OF CASH ACTIVITIES -- MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2011

Functions/Programs: Primary government:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Assets		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Totals
<i>Governmental activities:</i>							
General government	108,290	2,910			(105,380)		(105,380)
Public safety	22,930				(22,930)		(22,930)
Public works	254,688	23,860			(230,828)		(230,828)
Culture and recreation	17,665	1,880			(15,785)		(15,785)
<b>Total governmental activities</b>	<b>403,573</b>	<b>28,650</b>	<b>0</b>	<b>0</b>	<b>(374,923)</b>	<b>0</b>	<b>(374,923)</b>
<i>Business-type activities:</i>							
Water	51,329	57,130				5,801	5,801
Electric	433,537	449,301				15,764	15,764
Sewer	20,827	40,120				19,293	19,293
<b>Total business-type activities</b>	<b>505,693</b>	<b>546,551</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,858</b>	<b>40,858</b>
<b>Total primary government</b>	<b>909,266</b>	<b>575,201</b>	<b>0</b>	<b>0</b>	<b>(374,923)</b>	<b>40,858</b>	<b>(334,065)</b>
<i>General receipts:</i>							
					92,043		92,043
Property taxes					79,860		79,860
Sales tax					72		72
Amusement tax					17,732		17,732
State shared receipts					2,734		2,734
County shared receipts					3,490	935	4,425
Interest and dividends received					7,137		7,137
Rents and franchise fees					6,328	2,479	8,807
Special assessments - principal					7,147		7,147
Liquor mark-ups					100		100
Donations					7,177		7,177
Sale of surplus property					1,046	2,281	3,327
Compensation for property damage					35,957	(35,957)	0
Transfers:							
<b>Total general receipts and transfers</b>					<b>260,823</b>	<b>(30,262)</b>	<b>230,561</b>
<b>Change in net cash assets</b>					<b>(114,100)</b>	<b>10,596</b>	<b>(103,504)</b>
<b>Net cash assets, January 1, 2011</b>					<b>356,951</b>	<b>546,529</b>	<b>903,480</b>
<b>Net cash assets, December 31, 2011</b>					<b>242,851</b>	<b>557,125</b>	<b>799,976</b>

See accompanying notes.



CITY OF WHITE

CASH BALANCE SHEET -- GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2011

	General Fund
	-----
Cash assets:	
Cash - petty	200
Cash - checking	176,119
Savings	66,532
	-----
Total cash assets	242,851
	=====
Fund cash balances:	
Nonspendable	0
Restricted	0
Committed	0
Assigned	65,734
Unassigned	177,117
	-----
Total fund cash balances	242,851 *
	=====

\* Also equals net assets on statement  
of net cash assets.

See accompanying notes.

## CITY OF WHITE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND CASH BALANCES -- MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2011  
 FOR THE YEAR ENDING DECEMBER 31, 2010

	2011 General Fund	2010 General Fund
	-----	-----
Receipts:		
Receipts from local sources:		
Taxes:		
Ad valorem taxes	91,959	88,433
General sales and use taxes	79,860	121,583
Amusement tax	72	72
Penalties and interest	84	274
Licenses and permits:	2,799	2,126
Intergovernmental receipts:		
State shared receipts:		
Bank franchise tax	700	1,089
Liquor tax reversion	3,316	3,229
Motor vehicle license 5%	2,934	2,612
Highway and bridge	10,782	10,489
County shared receipts:		
Road tax	351	177
Wheel tax	1,866	1,868
Other	517	666
Charges for goods and services:		
General government		560
Public safety		188
Streets	960	
Sanitation	22,900	23,621
Camping	1,880	820
Fines and forfeitures:	111	484
Miscellaneous receipts:		
Interest and dividends	3,490	5,311
Rents and franchise fees	7,137	6,301
Liquor mark-ups	7,147	6,658
Special assessment - principal	6,328	4,387
Donations	100	65
	-----	-----
Total receipts	245,293	281,013
	-----	-----
Disbursements:		
Current:		
General government:		
Mayor and Council	9,340	9,261
Elections	493	160
Financial administration	56,437	46,393
Buildings and other	5,081	32,772
Public safety:		
Police	16,601	16,601
Fire	6,329	4,375
Public works:		
Highways and streets	48,238	3,808
Sanitation	23,549	21,867
Culture and recreation:		
Recreation	4,473	2,974
Park	3,199	3,489
Donations	2,100	1,500
Capital outlay:	227,733	32,138
	-----	-----
Total disbursements	403,573	175,338
	-----	-----
Excess of receipts over (under) disbursements	(158,280)	105,675
Other financing sources (uses):		
Transfer in	35,957	18,768
Sale of surplus property	7,177	
Compensation for property damage	1,046	5,709
	-----	-----
Net change in fund cash balances	(114,100)	130,152 *
Fund cash balances:		
January 1, 2010		226,799
		-----
December 31, 2010	356,951	356,951
	-----	=====
December 31, 2011	242,851	
	=====	

\* Also equals change in net cash assets  
 on statement of cash activities.

See accompanying notes.

CITY OF WHITE

STATEMENT OF NET CASH ASSETS -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2011

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash assets:				
Cash - checking		33		33
Savings	41,730	210,100	146,462	398,292
Savings for customer deposits		8,800		8,800
Certificates of deposit		100,000	50,000	150,000
	-----	-----	-----	-----
Total cash assets	41,730	318,933	196,462	557,125
	=====	=====	=====	=====
 Net cash assets:				
Unrestricted	41,730	318,933	196,462	557,125
	-----	-----	-----	-----
Total net cash assets	41,730	318,933	196,462	557,125
	=====	=====	=====	=====

See accompanying notes.

CITY OF WHITE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND NET CASH ASSETS -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2011

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Operating receipts:				
Charges for goods and services	57,130	449,301	40,120	546,551
	-----	-----	-----	-----
Total operating receipts	57,130	449,301	40,120	546,551
	-----	-----	-----	-----
Operating disbursements:				
Personal services	13,467	13,467	13,467	40,401
Other current services	3,251	60,269	7,360	70,880
Cost of goods sold	34,611	359,801		394,412
	-----	-----	-----	-----
Total operating disbursements	51,329	433,537	20,827	505,693
	-----	-----	-----	-----
Total operating income (loss)	5,801	15,764	19,293	40,858
	-----	-----	-----	-----
Nonoperating receipts (disbursements):				
Interest received	82	503	350	935
Special assessment - principal			2,479	2,479
Compensation for property damage		2,281		2,281
	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	82	2,784	2,829	5,695
	-----	-----	-----	-----
Income (loss) before transfers	5,883	18,548	22,122	46,553
	-----	-----	-----	-----
Transfer (out)		(21,247)	(14,710)	(35,957)
	-----	-----	-----	-----
Change in net cash assets	5,883	(2,699)	7,412	10,596
	-----	-----	-----	-----
Net cash assets:				
January 1, 2011	35,847	321,632	189,050	546,529
	-----	-----	-----	-----
December 31, 2011	41,730	318,933	196,462	557,125
	=====	=====	=====	=====

See accompanying notes.

CITY OF WHITE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND NET CASH ASSETS -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2010

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Operating receipts:				
Charges for goods and services	57,298	397,333	41,101	495,732
	-----	-----	-----	-----
Total operating receipts	57,298	397,333	41,101	495,732
	-----	-----	-----	-----
Operating disbursements:				
Personal services	13,555	13,555	13,555	40,665
Other current services	7,813	15,741	7,869	31,423
Cost of goods sold	30,759	315,809		346,568
	-----	-----	-----	-----
Total operating disbursements	52,127	345,105	21,424	418,656
	-----	-----	-----	-----
Total operating income (loss)	5,171	52,228	19,677	77,076
	-----	-----	-----	-----
Nonoperating receipts (disbursements):				
Interest received	104	2,715	479	3,298
Special assessment - principal			2,480	2,480
Fire truck loan repayment		34,951		34,951
Compensation for property damage	1,291			1,291
	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	1,395	37,666	2,959	42,020
	-----	-----	-----	-----
Income (loss) before transfers	6,566	89,894	22,636	119,096
	-----	-----	-----	-----
Transfer (out)		(11,512)	(7,256)	(18,768)
	-----	-----	-----	-----
Change in net cash assets	6,566	78,382	15,380	100,328
	-----	-----	-----	-----
Net cash assets:				
January 1, 2010	29,281	243,250	173,670	446,201
	-----	-----	-----	-----
December 31, 2010	35,847	321,632	189,050	546,529
	=====	=====	=====	=====

See accompanying notes.

CITY OF WHITE

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2011

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	56,424	443,126	39,930	539,480
Receipts from interfund services provided	706	6,175	190	7,071
Payments to employees	(13,467)	(13,467)	(13,467)	(40,401)
Payments to suppliers	(36,245)	(420,070)	(7,360)	(463,675)
Payments for interfund services used	(1,617)	0	0	(1,617)
Net cash provided (used) by operating activities	----- 5,801	----- 15,764	----- 19,293	----- 40,858
Noncapital financing activities:				
Transfer (out)		(21,247)	(14,710)	(35,957)
Compensation for property damage		2,281		2,281
Capital financing activities:				
Special assessment received			2,479	2,479
Investing activities:				
Interest received	82	503	350	935
Net increase (decrease) in cash and cash equivalents	----- 5,883	----- (2,699)	----- 7,412	----- 10,596
Cash and cash equivalents:				
January 1, 2011	35,847	221,632	139,050	396,529
December 31, 2011	----- 41,730 =====	----- 218,933 =====	----- 146,462 =====	----- 407,125 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	5,801	15,764	19,293	40,858
Net cash provided (used) by operating activities	----- 5,801 =====	----- 15,764 =====	----- 19,293 =====	----- 40,858 =====

Noncash investing, capital and financing activities: None

See accompanying notes.

CITY OF WHITE

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2010

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	56,707	391,462	40,921	489,090
Receipts from interfund services provided	591	5,871	180	6,642
Payments to employees	(13,555)	(13,555)	(13,555)	(40,665)
Payments to suppliers	(37,065)	(331,550)	(7,869)	(376,484)
Payments for interfund services used	(1,507)	0	0	(1,507)
Net cash provided (used) by operating activities	----- 5,171	----- 52,228	----- 19,677	----- 77,076
Noncapital financing activities:				
Transfer (out)		(11,512)	(7,256)	(18,768)
Compensation for property damage	1,291			1,291
Capital financing activities:				
Special assessment received			2,480	2,480
Investing activities:				
Fire truck loan repayment		34,951		34,951
Interest received	104	2,715	479	3,298
Net increase (decrease) in cash and cash equivalents	----- 6,566	----- 78,382	----- 15,380	----- 100,328
Cash and cash equivalents:				
January 1, 2010	29,281	143,250	123,670	296,201
December 31, 2010	----- 35,847	----- 221,632	----- 139,050	----- 396,529
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	5,171	52,228	19,677	77,076
Net cash provided (used) by operating activities	----- 5,171	----- 52,228	----- 19,677	----- 77,076

Noncash investing, capital and financing activities: None

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of White uses a modified cash basis of accounting, which does not conform to generally accepted accounting principles applicable to government entities in the United States of America. See note 1c.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of White's (City) Governing Board.

The City's officials at December 31, 2011 are:

Governing Board:

Randy Brown, Mayor  
Jackie Pike, President  
Kelly Fitzsimmons  
Deborah Hopfinger  
Joyce Krein  
Earl Pomrenke  
Terry Wright

Finance Officer:

Sheryl Brown

Attorney:

Alan Glover

The reporting entity of the City of White consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of White has no component units.

b. Basis of Presentation:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Cash Assets and the Statement of Cash Activities display information about the reporting entity (City of White) as a whole. These statements include all funds of the reporting entity except fiduciary funds (if any). These statements distinguish between the 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 Net Cash Assets reports all cash resources. Net cash assets are displayed in two components, restricted (if any) and unrestricted.

The Statement of Cash Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of business-type activities of the City. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes and interest received, are presented as general receipts.

#### FUND FINANCIAL STATEMENTS:

The 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 cash assets, fund cash equity, receipts, and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

- a. Total cash assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash assets, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

The funds of the City are described below within their respective fund types:

#### *Governmental Funds*

General Fund - A fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund.

#### *Enterprise Funds:*

Enterprise Funds - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of White.

Electric fund - A fund allowed by SDCL 9-39-1 and 9-39-26 to provide electric services to customers within the City of White.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of White.

#### *Fiduciary Funds:*

Fiduciary funds - fiduciary funds are never considered to be major funds.

The City has no fiduciary funds.

c. Basis of Accounting:

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

These financial statements are presented on a modified cash basis of accounting rather than a accrual/modified accrual basis of accounting. The cash basis has been modified by including certificates of deposit whose maturity when purchased is more than 90 days and investments. Revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financials would be presented on the full accrual basis of accounting.

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

d. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments (if any) and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the two years ending December 31, 2011, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposit totaling \$100,000 held for the electric fund and \$50,000 held for the sewer fund because their maturity when purchased was longer than three months and they are not part of a pool.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide statement of cash activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Funds Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating receipts, if any, such as grants, investment earnings, and transfers in, result from non-exchange transactions.

h. Equity Classifications:

*Government-wide financial Statements:*

Equity is classified as net cash assets and is displayed in two components:

1. Restricted Net Cash Assets - Consists of net cash assets with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Cash Assets - All other net cash assets that do not meet the definition of "restricted net cash assets".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Cash Balances", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Cash Assets", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Net Cash Assets" held in trust for a purpose.

i. Application of Net Cash Assets:

It is the City's policy to first use restricted net cash assets, prior to the use of unrestricted net cash assets, when a disbursement is incurred which can be charged to either restricted or unrestricted net cash assets.

j. 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 at 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 Council or the Finance Officer.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of White fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		0
Committed	None		0
Assigned	Liquor	Finance Officer	63,708
	Streets	Finance Officer	2,026
Unassigned	General		177,117
			-----
			242,851

The City uses "restricted" and "committed" amounts first when 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 City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The City has no special revenue funds.

## 2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. Following are overdrafts of general fund departmental disbursements compared to appropriations. See page 27 and 28.

2011	General Fund/General Government/Financial administration	\$ 7,241
	General Fund/General Government/Buildings and other	9,408
	General Fund/Public Safety/Fire	55
	General Fund/Public Works/Streets	22,421
	General Fund/Public Works/Sanitation	549
	General Fund/Culture and Recreation/Parks	11,092
	General Fund/Culture and Recreation/Donations	2,100
2010	General Fund/General Government/Financial administration	\$ 3,597
	General Fund/General Government/Buildings and other	17,191
	General Fund/Culture and Recreation/Parks	16,727
	General Fund/Culture and Recreation/Donations	1,500

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

## 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for certificates of deposits purchased for the electric and sewer funds.

The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2011 were as follows: Insured \$426,152, Collateralized \*\* \$373,624 for a total of \$799,776. The book carrying value of these bank deposits, plus petty cash of \$200, was \$799,976.

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

The City did not have any investments during the two years ending December 31, 2011. Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At December 31, 2011, the City's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited or invested in any one institution. All of the City's deposits are with First Bank of White.

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.

Assignment of Deposit and Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the deposit or investment. The City's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

#### 4. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

2011:	Governmental	Enterprise	Purpose
General	35,957		Operations
Electric		(21,247)	Operations
Sewer		(14,710)	Operations
	-----	-----	
	35,957	(35,957)	
2010:			
General	18,768		Operations
Electric		(11,512)	Operations
Sewer		( 7,256)	Operations
	-----	-----	
	18,768	(18,768)	

## 5. RETIREMENT PLAN

All employees, except seasonal 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. SDRS provides retirement, disability and survivors 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% 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 ending December 31, 2011, 2010, and 2009 were \$3,368, \$3,448, and \$3,256 (employer's share) respectively, equal to the required contributions each year. There are no deferred contributions.

## 6. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

## 7. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the two years ending December 31, 2011 the City managed its risks as follows:

### Employee Health Insurance:

None.

### 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 City pays an annual premium to the pool to provide coverage for law enforcement liability, general liability, officials liability, and automobile insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$2,000,000 upper limit. 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 \$500 maximum deductible for its various coverages.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost 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 above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

At December 31, 2011 the City has \$11,937 of vested benefits on deposit in the SDPAA Cumulative Reserve Fund.

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

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

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

Unemployment Benefits:

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

8. OTHER DISCLOSURES

The City does not operate a landfill, but it does maintain a restricted use rubble site.

The City is not involved in any litigation.

The City does not offer any "Other Post Employment Benefits".

Electric fund savings cash of \$8,800 is designated for customer deposits.

In 2012, after assessing public opposition to campground development, the City sold Outlot 1 and a portion of Outlot 2, Sherwood's Second Addition, for \$9,500.

CITY OF WHITE  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2011

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	93,510			93,510	91,959	(1,551)
General sales and use taxes	70,000			70,000	79,860	9,860
Amusement tax	156			156	72	(84)
Penalties and interest	25			25	84	59
Licenses and permits:	1,390			1,390	2,799	1,409
Intergovernmental receipts:	19,069			19,069		(19,069)
State shared receipts:						
Bank franchise tax				0	700	700
Liquor tax reversion				0	3,316	3,316
Motor vehicle license 5%				0	2,934	2,934
Highway and bridge				0	10,782	10,782
County shared receipts:						
Road tax				0	351	351
Wheel tax				0	1,866	1,866
Other				0	517	517
Charges for goods and services:	25,100			25,100		(25,100)
Streets				0	960	960
Sanitation				0	22,900	22,900
Camping				0	1,880	1,880
Fines and forfeitures:	150			150	111	(39)
Miscellaneous receipts:	12,977			12,977		(12,977)
Interest and dividends received				0	3,490	3,490
Rents and franchise fees				0	7,137	7,137
Liquor mark-ups	5,400			5,400	7,147	1,747
Special assessment				0	6,328	6,328
Donations				0	100	100
Other	26,547			26,547		(26,547)
Total receipts	254,324	0	0	254,324	245,293	(9,031)
Disbursements:						
Current:						
General government:						
Mayor and Council	9,645			9,645	9,340	305
Contingency	15,724			15,724		15,724
Amount transferred		(15,724)		(15,724)		(15,724)
Elections	600			600	493	107
Financial administration	48,196		8,721	56,917	64,158	(7,241)
Buildings and other	21,549	1,342	2,000	24,891	34,299	(9,408)
Public safety:						
Police	16,601			16,601	16,601	0
Fire	4,900	1,374		6,274	6,329	(55)
Public works:						
Highways and streets	170,455	13,008	25,255	208,718	231,139	(22,421)
Sanitation	23,000			23,000	23,549	(549)
Culture and recreation:						
Recreation	15,138			15,138	4,473	10,665
Parks				0	11,092	(11,092)
Donations				0	2,100	(2,100)
Miscellaneous:						
Liquor	4,395			4,395		4,395
Total disbursements	330,203	0	35,976	366,179	403,573	(37,394)
Excess of receipts over (under) disbursements	(75,879)	0	(35,976)	(111,855)	(158,280)	(46,425)
Other financing sources (uses):						
Transfers in				0	35,957	35,957
Sale of surplus property				0	7,177	7,177
Compensation for property damage				0	1,046	1,046
Net change in fund cash balance	(75,879)	0	(35,976)	(111,855)	(114,100)	(2,245)
Fund cash balance:						
January 1, 2011	356,951			356,951	356,951	0
December 31, 2011	281,072	0	(35,976)	245,096	242,851	(2,245)

CITY OF WHITE  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2010

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	151,309			151,309	88,433	(62,876)
General sales and use taxes				0	121,583	121,583
Amusement tax				0	72	72
Penalties and interest				0	274	274
Licenses and permits:	10			10	2,126	2,116
Intergovernmental receipts:	16,169			16,169		(16,169)
State shared receipts:						
Bank franchise tax				0	1,089	1,089
Liquor tax reversion				0	3,229	3,229
Motor vehicle license 5%				0	2,612	2,612
Highway and bridge				0	10,489	10,489
County shared receipts:						
Road tax				0	177	177
Wheel tax				0	1,868	1,868
Other				0	666	666
Charges for goods and services:	25,100			25,100		(25,100)
General government				0	560	560
Public safety				0	188	188
Sanitation				0	23,621	23,621
Camping				0	820	820
Fines and forfeitures:	150			150	484	334
Miscellaneous receipts:	12,427			12,427		(12,427)
Interest and dividends received				0	5,311	5,311
Rents and franchise fees				0	6,301	6,301
Liquor mark-ups				0	6,658	6,658
Special assessment				0	4,387	4,387
Donations				0	65	65
Other	30,000			30,000		(30,000)
<b>Total receipts</b>	<b>235,165</b>	<b>0</b>	<b>0</b>	<b>235,165</b>	<b>281,013</b>	<b>45,848</b>
Disbursements:						
Current:						
General government:						
Mayor and Council	9,645			9,645	9,261	384
Contingency				0		0
Amount transferred				0		0
Elections	600			600	160	440
Financial administration	46,696		15,000	61,696	65,293	(3,597)
Buildings and other	15,581			15,581	32,772	(17,191)
Public safety:						
Police	16,601			16,601	16,601	0
Fire	11,029			11,029	4,375	6,654
Public works:						
Highways and streets	116,905			116,905	3,808	113,097
Sanitation	23,000			23,000	21,867	1,133
Culture and recreation:						
Recreation	15,863		3,737	19,600	2,974	16,626
Parks				0	16,727	(16,727)
Donations				0	1,500	(1,500)
<b>Total disbursements</b>	<b>255,920</b>	<b>0</b>	<b>18,737</b>	<b>274,657</b>	<b>175,338</b>	<b>99,319</b>
Excess of receipts over (under) disbursements	(20,755)	0	(18,737)	(39,492)	105,675	145,167
Other financing sources (uses):						
Transfers in				0	18,768	18,768
Compensation for property damage				0	5,709	5,709
<b>Net change in fund cash balance</b>	<b>(20,755)</b>	<b>0</b>	<b>(18,737)</b>	<b>(39,492)</b>	<b>130,152</b>	<b>169,644</b>
Fund cash balance:						
January 1, 2010	226,799			226,799	226,799	0
December 31, 2010	206,044	0	(18,737)	187,307	356,951	169,644

NOTES TO SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE TWO YEARS ENDING DECEMBER 31, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. There was one supplemental budget in 2011 and one supplemental budget in 2010. See page 27 and 28 for more information.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- r. The budget for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because the City uses the modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay expenditure information as a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital expenditure on the governmental funds statement of receipts, disbursements and changes in fund balance. However, in the budgetary supplemental information schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

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

Governing Board  
City of White  
White, South Dakota

I have audited the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the City of White as of December 31, 2011, and for each of the years in the biennial period then ended, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 16, 2013.

A qualified opinion was issued on governmental activities and the general fund. An unqualified opinion was issued on business-type activities and the water, electric and sewer funds.

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

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of White's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings and responses as item 2011-01.

Management responses to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

I did note certain other minor matters involving compliance that I reported to the governing body and management of the City of White in a separate Letter of Comments dated January 16, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of White's financial statements will not be prevented, or detected and corrected on a timely basis.

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

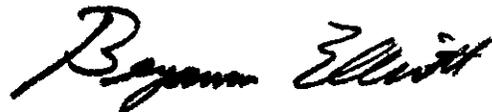
I did, however, identify a deficiency in internal control over financial reporting, described in the accompanying schedule of current audit findings and responses as item 2011-01, that I consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit management response and, accordingly, I express no opinion on it.

I did note certain other minor matters involving internal control over financial reporting that I reported to the governing body and management of the City of White in a separate Letter of Comments dated January 16, 2013.

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

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



January 16, 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings: None

Prior Other Audit Findings:

2007-01 Budget overdrafts - Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS

Finding 2011-01: Budget Overdrafts

(compliance and internal control)

(This is the third audit report to mention this condition.)

Criteria:

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance approved by the governing body before entering into any contract which require payments in excess of the appropriation balance at the time the contract is issued. The City is prohibited from spending in excess of appropriated amounts at the sub-function/department level.

Condition:

In 2011 and 2010 the City of White had the following budget overdrafts:

2011	General Fund/General Government/Financial administration	\$ 7,241
	General Fund/General Government/Buildings and other	9,408
	General Fund/Public Safety/Fire	55
	General Fund/Public Works/Streets	22,421
	General Fund/Public Works/Sanitation	549
	General Fund/Culture and Recreation/Parks	11,092
	General Fund/Culture and Recreation/Donations	2,100
2010	General Fund/General Government/Financial administration	\$ 3,597
	General Fund/General Government/Buildings and other	17,191
	General Fund/Culture and Recreation/Parks	16,727
	General Fund/Culture and Recreation/Donations	1,500

Effect:

Expenditures in excess of a budget can lead to unnecessary expenditures.

Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department.  
SDCL 9-21-9 and 9-21-10

Recommendation:

I recommend the City stay within its budget, using contingency transfers and supplemental appropriations to adjust particular budget line items when necessary.

Management Response:

Management agrees with this recommendation. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.