

**CITY OF BERESFORD
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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ [REDACTED]

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

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

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. [REDACTED]

Issuance of Long-Term Debt is recorded as a revenue in the Fund Financial Statements but is an increase in Long-Term Liabilities on the Government-wide Financial Statements. [REDACTED]

Governmental funds report the effect of gains and losses when debt is refunded, whereas these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period. [REDACTED]

In the statement of activities, gains and losses on refunding debt are reported, whereas, in the governmental funds, the proceeds and payments of refunding debt are reflected, regardless of whether a gain or loss is realized. [REDACTED]

Governmental funds report property taxes and special assessments as revenue when they meet the available criteria. Because some property taxes and special assessments 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. Deferred tax revenues decreased by this amount this year. [REDACTED]

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures. [REDACTED]

Change in Net Position of Governmental Activities \$ [REDACTED]

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

CITY OF BERESFORD
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

Enterprise Funds

	Enterprise Funds				Telephone				Totals
	Fund	Fund	Fund	Fund	Fund	Fund			
ASSETS:									
Current Assets:									
Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$	\$	\$	
Accounts Receivable, Net									
Due from Other Funds									
Inventory of Supplies									
Inventory of Stores Purchased for Resale									
Investments									
Total Current Assets									
Noncurrent Assets:									
Restricted Investments									
Joint Venture Investment									
Deposits									
Capital Assets:									
Land									
Buildings									
Improvements Other Than Buildings									
Machinery and Equipment									
Less: Accumulated Depreciation									
Construction Work In Process									
Intangible Assets									
Total Noncurrent Assets									
TOTAL ASSETS									
DEFERRED OUTFLOWS OF RESOURCES:									
Deferred Charge on Refunding									
TOTAL DEFERRED OUTFLOWS OF RESOURCES									

CITY OF BERESFORD
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

					Enterprise Funds			Totals
	Fund	Fund	Fund	Fund	Telephone Fund	Fund		
Operating Revenue:								
Charges for Goods and Services	\$	\$	\$	\$			\$	
Charges for Goods and Services (Revenue Securing Debt Issues)								
Miscellaneous								
Total Operating Revenue								
Operating Expenses:								
Personal Services								
Other Current Expense								
Materials (Cost of Goods Sold)								
Amortization								
Depreciation								
Total Operating Expenses								
Operating Income (Loss)								
Nonoperating Revenue (Expense):								
Investment Earnings								
Gain/Loss on Sale of Fixed Assets								
Interest Expense & Fiscal Charges								
Total Nonoperating Revenue (Expense)								
Income (Loss) Before Transfers and Contributions								
Transfers (Out)								
Change in Net Position								
Net Position - Beginning								
Prior Period Adjustment								
Adjusted Net Position - Beginning								
NET POSITION - ENDING								

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

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CITY OF BERESFORD
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds								Totals
	Fund	Fund	Fund	Fund	Telephone Fund	Fund	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash Receipts from Customers	\$	\$							
Internal Activity-Receipts from Other Funds									
Cash Payments to Employees for Services									
Cash Payments to Suppliers of Goods and Services									
Cash Payments for Interfund Services									
Other Cash Receipts									
Net Cash Provided (Used) by Operating Activities									
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Interfund Loans									
Operating Transfers Out									
Net Cash (Used) by Noncapital Financing Activities									
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Purchase of Capital Assets									
Principal Paid on Capital Debt									
Interest Paid on Capital Debt									
Net Cash (Used) by Capital and Related Financing Activities									
CASH FLOWS FROM INVESTING ACTIVITIES:									
Change in Investments									
Interest Earnings									
Net Cash Provided by Investing Activities									
Net Increase (Decrease) in Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$

Cash and Cash Equivalents at Beginning of Year	\$	\$	\$						
Cash and Cash Equivalents at End of Year									
Net Increase (Decrease) in Cash and Cash Equivalents	\$	\$	\$						

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	\$							\$
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:									
Depreciation/Amortization Expense									
Change in Assets and Liabilities:									
Receivables									
Inventories									
Accounts and Other Payables									
Sales Tax Payable									
Accrued Leave Payable									
Customer Deposits									
Net Cash Provided (Used) by Operating Activities	\$								\$

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

CITY OF BERESFORD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

a. Financial Reporting Entity

The reporting entity of the City of Beresford consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal 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 Housing and Redevelopment Commission of the City of Beresford, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements from the Housing and Redevelopment Commission may be obtained at Beresford City Hall.

The Beresford Economic Development Corporation is a legally separate proprietary fund-type, discretely presented component unit. The members of the City Council are members of the corporation along with four additional members elected by the City Council. Separately issued financial statements from the Beresford Economic Development Corporation may be obtained at Beresford City Hall.

The City participates in a cooperative unit with several other telephone companies, in a venture called South Dakota Network, Inc. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

b. Basis of Presentation

Government-wide Financial Statements:

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

legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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 [REDACTED] 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 [REDACTED] 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 trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Additional Sales Tax Fund – to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, and debt retirement (Ordinance #02-2005). This is a major fund.

██████████ – to account for ██████████ operations obtained and used through governmental services. This is not a major fund.

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 Community Center and Clubhouse Debt Service Fund – to account for the required restricted cash and payments related to debt principal, interest and related costs of the community center and clubhouse bond issue. This is a major fund.

Tax Increment District No. 1 Debt Service Fund – to account for property taxes, which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

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

The ██████████ Fund – to account for the financial resources to be used for the improvement of the ██████████ system. This is a major fund.

Proprietary Funds:

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

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

██████████ – financed by ██████████ and merchandise sales, this fund accounts for the operation of the ██████████ store. This is a major fund.

██████████ – financed primarily by user charges, this fund accounts for the construction and operation of the ██████████ system and related facilities. (SDCL 9-47-1) This is a major fund.

██████████ – financed primarily by user charges, this fund accounts for the construction and operation of the ██████████ system and related facilities. This is a major fund.

██████████ – financed primarily by user charges, this fund accounts for the construction and operation of the ██████████ system and related facilities. (SDCL 9-48-2) This is a major fund.

Telephone Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal telephone system and related facilities. This is a major fund.

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the [REDACTED] system and related facilities. This is a major fund.

[REDACTED] – financed by user charges, this fund accounts for the operations of the [REDACTED] services. This is a major fund.

[REDACTED] – financed by user charges, this fund accounts for the operations of the [REDACTED] service. This is 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 Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Beresford is 30 days. The revenues that were accrued at December 31, 2013 are amounts due from the county and state and interest.

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

d. 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.

e. 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, or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. 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 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, 2013 balance of governmental activities capital assets includes approximately [REDACTED] for which the costs were determined by estimates of original costs. The total of December 31, 2013 balance of business-type capital assets are valued at original cost. 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, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 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 Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	ALL	NA	NA
Improvements other than buildings	[REDACTED]	Straight Line	10-50 YRS
Buildings	[REDACTED]	Straight Line	50 YRS
Machinery and Equipment	[REDACTED]	Straight Line	2-20 YRS
Telephone property and improvements	[REDACTED]	Straight Line	5-35 YRS

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. 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 general obligation bonds, revenue bonds, certificates of participation, financing (capital acquisition) lease, and compensated absences.

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

h. 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.

i. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications

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

k. 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.

I. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. Application of Net Position

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

n. 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 City 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.

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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.

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

A schedule of fund balances is provided as follows:

**CITY OF BERESFORD
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	[REDACTED] Fund	Additional Sales Tax Fund	[REDACTED] Service Fund	[REDACTED] Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:						
<i>Nonspendable:</i>						
Inventory	\$ [REDACTED]	\$	\$	\$	\$	\$ [REDACTED]
Long-Term Note Receivable	[REDACTED]					[REDACTED]
<i>Restricted for:</i>						
Debt Service		[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Capital Improvements				[REDACTED]		[REDACTED]
Library					[REDACTED]	[REDACTED]
<i>Committed to:</i>						
Capital Improvements		[REDACTED]				[REDACTED]
<i>Unassigned</i>						
Total Fund Balances	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Note 2 – 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. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The City’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank’s public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In General, SDCL 4-5-6 permits 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.

As of December 31, 2013, the City had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT - Government Cash Reserves	Unrated	\$ [REDACTED]

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

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

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 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 3 – Restricted Cash and Investments

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

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Additional Sales Tax	\$ [REDACTED]	Debt Service, by debt covenants
[REDACTED]	[REDACTED]	Debt Service, by debt covenants
[REDACTED]	[REDACTED]	Debt Service, by debt covenants

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.

Note 5 – Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. 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.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Note 6 – Property Taxes

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

The City is permitted by several state statutes to levy varying amounts of taxes per [REDACTED] of taxable valuation on taxable real property in the City.

Note 7 – Changes in Capital Assets

Governmental Activities	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Capital Assets Not Being Depreciated:				
Land	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
Construction Work in Process depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets Being Depreciated:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Building	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities Capital	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Depreciation Expense was charged to functions as follows:				
General Government				\$ [REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Total Depreciation Expense-Governmental				\$ [REDACTED]

	Balance 1/1/2013			
Business - Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$			
Construction Work in Progress**				
Total Capital Assets, not being depreciated				
Capital Assets Being Depreciated:				
Buildings				
Improvements Other than Buildings				
Machinery and Equipment				
Outside Plant				
Head End Equipment				
General Support Assets				
Central Office Switching				
Central Office Transmission (Restated)				
Origination and Termination				
Cable and Wire (Restated)				
Total Being Depreciated				
Less Accumulated Depreciation for:				
Buildings				
Improvements Other than Buildings				
Machinery and Equipment				
Outside Plant				
Head End Equipment				
General Support Assets				
Central Office Switching				
Central Office Transmission				
Origination and Termination				
Cable and Wire				
Total Accumulated Depreciation				
Total Business-Type Activities Capital Assets, net	\$	\$	\$	\$

Depreciation expense was charged to functions as follows:

	\$
Telephone	
Total Depreciation Expense- Business-type Activities	\$

Other Assets Not Being Depreciated:

Other Assets-	\$	\$	\$	\$
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** Restated beginning balance

REDACTED - FOR PUBLIC INSPECTION

Construction Work in Progress at December 31, 2013 is composed of the following:

Project Name	Amount Authorized	Expended thru 12/31/13	Committed
<i>Governmental</i>			
██████████ Project	\$ ██████████	\$ ██████████	\$ ██████████
<i>Enterprise</i>			
██████████ Project	██████████	██████████	
██████████ Project	██████████	██████████	
<i>Total Enterprise</i>	██████████	██████████	
<i>Total Governmental and Enterprise</i>	\$ ██████████	\$ ██████████	\$ ██████████

Note 8 – Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance 1/1/2013	Additions	Retired	Ending Balance 12/31/2013	Due within One Year
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████
Certificates of Participation	██████████	██████████	██████████	██████████	██████████
State Revolving Funds	██████████	██████████	██████████	██████████	██████████
Financing (Capital Acquisition) Lease	██████████	██████████	██████████	██████████	██████████
Accrued Compensated Absences	██████████	██████████	██████████	██████████	██████████
Total Governmental Activities	██████████	██████████	██████████	██████████	██████████
Business-Type Activities:					
General Obligation Bonds	██████████		██████████	\$ ██████████	██████████
Certificates of Participation	██████████	██████████	██████████	██████████	██████████
Accrued Compensated Absences	██████████	██████████	██████████	██████████	██████████
Total Business-Type Activities	██████████	\$ ██████████	██████████	██████████	██████████
Total Primary Government	██████████	██████████	██████████	██████████	██████████

In 2013 the Municipality issued ██████████ in Certificates of Participation bonds with an average interest rate of ██████████ to ██████████ percent to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2006	██████████	██████████	██████████

The entire proceeds of the refunding issue in the amount of ██████████ were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's ██████████ Debt Service Fund records.

The City refunded the debt to reduce its total debt service payments over the next 13 years by ██████████ and to obtain an economic gain of ██████████

REDACTED - FOR PUBLIC INSPECTION

Debt payable at December 31, 2013 is comprised of the following:

Revenue Bonds

Series 2000 Tax Increment Revenue Bonds maturing 2015 with varying interest rates of [REDACTED] to [REDACTED] depending on time to maturity. Payments from the TIF Debt Service Fund.

\$ [REDACTED]

General Obligation Bonds

Series 2012 General Obligation Bonds for the City's share of [REDACTED] construction costs with interest rates varying from [REDACTED] to [REDACTED] depending on time to maturity. The final maturity is in 2026. Payments will be made from the [REDACTED] fund.

[REDACTED]

Certificates of Participation

2013 Certificate of Participation for [REDACTED] with varying interest rates of [REDACTED] depending on length to maturity. Final maturity December 2026. Payments made from [REDACTED] Debt Service Fund.

[REDACTED]

2012 Certificate of Participation for [REDACTED] with varying interest rates of [REDACTED] to [REDACTED] depending on time to maturity. Final maturity January 1, 2024. Payments made from Additional Sales Tax Fund

[REDACTED]

2012 Certificate of Participation for [REDACTED] with varying interest rates of [REDACTED] depending on time to maturity. Final maturity December 1, 2023. Payments made from [REDACTED] Fund

[REDACTED]

Financing (Capital Acquisition) Leases

2004 Financing Lease for [REDACTED] Building with an interest rate of [REDACTED]. Final maturity September 1, 2014. Payments made from General Fund

[REDACTED]

State Revolving Fund (SRF) Loans

2013 [REDACTED] Bonds with the interest rate of [REDACTED] 25%. Final maturity April 15, 2044. Payments made from [REDACTED] Project.

[REDACTED]

2013 [REDACTED] Bonds with the interest rate of [REDACTED]. Final maturity April 15, 2044. Payments made from [REDACTED] Project.

[REDACTED]

Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation time and sick leave for subsequent use for payment upon termination, death, or retirement.

Governmental Accrued Leave

Enterprise Accrued Leave

[REDACTED]

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

	[REDACTED]
	[REDACTED]
	Building
Principal	\$ [REDACTED]
Interest	[REDACTED]
Total	\$ [REDACTED]

The annual requirements to amortize all debt outstanding as of December 31, 2013, except for compensated absences, are as follows:

Governmental Activities:

Year Ending Dec 31,	Revenue Bonds		Certificates of Participation		Revolving Loans		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019-2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024-2028	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2029-2033	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2034-2038	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2039-2043	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	\$ [REDACTED]									

Business-Type Activities:

Year Ending Dec 31,	General Obligation Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019-2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024-2028	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	\$ [REDACTED]					

Utilities Revenues Pledged:

The City has pledged future [REDACTED] telephone and [REDACTED] customer revenues, net of specified operating expenses:

The [REDACTED] fund will repay [REDACTED] in [REDACTED] bonds issued in March 2012. Proceeds from the bonds provided financing for the City's share of [REDACTED] construction costs. The bonds are payable solely from [REDACTED] customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 35 percent of net revenues. The total principal and interest remaining to be paid on the bonds is [REDACTED] Principal and

interest paid for the current year and total customer net revenues were [REDACTED] and [REDACTED] respectively.

The [REDACTED] fund will repay [REDACTED] in [REDACTED] bonds issued in March 2012. Proceeds from the bonds provided financing for improvements on the City's [REDACTED]. The bonds are payable solely from [REDACTED] customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require [REDACTED] percent of net revenues. The total principal and interest remaining to be paid on the bonds is [REDACTED]. Principal and interest paid for the current year and total customer net revenues were [REDACTED] and [REDACTED] respectively.

Note 9 – Operating Leases

The City leases copy machines, which include maintenance and repairs. Payments of [REDACTED] per month are made from the General Fund.

The following are the minimum payments on the existing operating lease:

Year	General Fund
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]

Note 10 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2013 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ [REDACTED]	\$ [REDACTED]
[REDACTED] Service Fund		[REDACTED]
[REDACTED] Improvement Fund		[REDACTED]
[REDACTED] Fund		[REDACTED]
Telephone Fund	[REDACTED]	
Total	\$ [REDACTED]	\$ [REDACTED]

The Telephone Fund loaned money to the General Fund, [REDACTED] Service Fund, [REDACTED] Fund, and the [REDACTED] Fund for funding temporary cash shortages.

Note 11 – Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

	<u>Total</u>
Gross Receipts Taxes	\$ [REDACTED]
Capital Improvements	[REDACTED]
[REDACTED]	[REDACTED]
Debt Service	[REDACTED]
Total Restricted Net Position	\$ [REDACTED]

These balances are restricted due to federal grant and statutory requirements

Note 12 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2013 were as follows:

<u>Transfer From:</u>	<u>Transfer to:</u>
[REDACTED] Fund	General Fund
[REDACTED] Fund	\$ [REDACTED]
Telephone Fund	[REDACTED]
[REDACTED] Fund	[REDACTED]
Total	\$ [REDACTED]

The City typically budgets transfers to the General Fund to conduct the indispensable functions of the City.

Note 13 – Retirement Plan

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1108, Pierre, SD 57501-1108 or by calling (605) 773-3731.

General employees are required by state statute to contribute [REDACTED] percent of their salary to the plan, while [REDACTED] and [REDACTED] employees contribute at [REDACTED] percent and [REDACTED] percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of [REDACTED] 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, 2013, 2012, and 2011 were [REDACTED] and [REDACTED] respectively, equal to the required contributions each year.