

The total December 31, 2012 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, 2012 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/Balance Sheet.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	ALL	NA	NA
Improvements other than buildings	[REDACTED]	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]
Telephone property and improvements	[REDACTED]	[REDACTED]	[REDACTED]

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of 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.

g. Program Revenues

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

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

h. Proprietary Funds Revenue and Expense Classifications

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

i. Cash and Cash Equivalents

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

j. Deposits and Investments:

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

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

k. Equity Classifications

Government-wide Statements:

Equity is classified as net 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 "invested in capital assets, net of related debt."

Fund Financial Statements:

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

I. 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.

m. Fund Balance Classification Policies and Procedures:

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

- **Nonspendable** -- Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** -- Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** -- Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** -- Includes fund balance amounts that are intended to be used for specific purposes that are neither considered, restricted, or committed. Fund Balance may be assigned by the Municipal Council.
- **Unassigned** -- Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

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, 2012**

	General Fund	Additional Sales Tax Fund	TIF #2 Debt Service Fund	Community Center Debt Service Fund	Other Non-Major Governmental Funds
Fund Balances:					
<i>Nonspendable:</i>					
Inventory	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<i>Restricted for:</i>					
Gross Receipts Tax	[REDACTED]				
Debt Service		[REDACTED]			
Library					[REDACTED]
<i>Committed to:</i>					
Capital Improvements		[REDACTED]			
<i>Unassigned</i>					
Total Fund Balances	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Note 2 – Deficit Fund Balances/Fund Net Position

As of December 31, 2012, the General Fund and the Community Center & Clubhouse Debt Service Fund had deficit fund balances in the amounts of [REDACTED] and [REDACTED] respectively. The City will transfer from other funds to correct the negative fund balances.

Note 3 – Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. 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 [REDACTED] 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, 2012, 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-GCR) 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.

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

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

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.

Custodial Credit Risk – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2012, there were no funds exposed to such credit risk.

Note 4 – 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
Community Center	[REDACTED]	Debt Service, by debt covenants
[REDACTED]	[REDACTED]	Debt Service, by debt covenants

Note 5 – 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 6 – 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 7 – 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 8 – Changes in Capital Assets

	<u>Balance 01/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/12</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$	\$	\$	
Construction Work In Process depreciated				
Capital Assets Being Depreciated:				
Buildings				
Improvements Other than Buildings				
Machinery and Equipment				
Library Books				
Total Being Depreciated				
Less Accumulated Depreciation for:				
Building				
Improvements Other than Buildings				
Machinery and Equipment				
Library Books				
Total Accumulated Depreciation				
Total Governmental Activities Capital	\$	\$	\$	

Depreciation Expense was charged to functions as follows:

General Government	\$
Public Safety	
Public Works	
Culture and Recreation	
Total Depreciation Expense-Governmental	\$

REDACTED - FOR PUBLIC INSPECTION

	<u>Balance</u> <u>01/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/12</u>
Business - Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Construction Work in Progress*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being 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]
Outside Plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Head End Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General Support Assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Transmission (Restated)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Origination and Termination	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable and Wire (Restated)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outside Plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Head End Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General Support Assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Transmission	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Origination and Termination	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable and Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Business-Type Activities Capital Assets, net	\$ [REDACTED]			

Depreciation expense was charged to functions as follows:

[REDACTED]	\$ [REDACTED]
Total Depreciation Expense- Business-type Activities	\$ [REDACTED]

Other Assets Not Being Depreciated:

[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
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Note 9 – Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance 01/01/12</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance 12/31/12</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Revenue Bonds	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Certificates of Participation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financing (Capital Acquisition) Lease	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences - Governmental Funds	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Business-Type Activities:					
General Obligation Revenue Bonds	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Certificates of Participation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences - Business-Type Funds	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Business-Type Activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Primary Government	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Debt payable at December 31, 2012 is comprised of the following:

Revenue Bonds

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

\$ [REDACTED]

General Obligation Bonds

[REDACTED] 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]

Compensated Absences:

Accumulated unpaid leave balances. Payable from the General and Enterprise Funds.

[REDACTED]

Certificates of Participation

2006 Certificate of Participation for Community Center/Clubhouse with varying interest rates of [REDACTED] depending on length to maturity. Final maturity December 2026. Payments made from Community Center/Clubhouse Debt Service Fund. [REDACTED]

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

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

Financing(Capital Acquisition) Leases

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

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

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

The annual requirements to amortize all debt outstanding as of December 31, 2012, except for compensated absences, are as follows:

Governmental Activities:

Year Ending Dec 31,	Revenue Bonds		Certificates of Participation		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2014	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018-2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023-2027	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Business-Type Activities:

Year Ending Dec 31,	General Obligation Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$	\$	\$	\$	\$	\$
2014						
2015						
2016						
2017						
2018-2022						
2023-2027						
TOTAL	\$	\$	\$	\$	\$	\$

Pledged:

The City has pledged future revenues, net of specified operating expenses:

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

The fund will repay bonds issued in March 2013. Proceeds from the bonds provided financing for improvements on the City's. The bonds are payable solely from customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require percent of net revenues. The total principal and interest remaining to be paid on the bonds is. Principal and interest paid for the current year and total customer net revenues were \$ and respectively.

The fund repaid bonds issued in June 2002. Proceeds from the bonds provided financing for improvements on the City's. The bonds were payable solely from customer net revenues and were payable through 2012. Annual principal and interest payments on the bonds were expected to require percent of net revenues. No principal or interest is remaining to be paid on the bonds. Principal and interest paid for the current year and total customer net revenues were and respectively.

The fund repaid bonds issued in June 2002. Proceeds from the bonds provided financing for improvements on the City's. The bonds were payable solely from customer net revenues and were payable through 2012. Annual principal and interest payments on the bonds were expected to require percent of net revenues. No principal and interest is remaining to be paid on the bonds. Principal and interest paid for the current year and total customer net revenues were and respectively.

Note 10 – Conduit Debt

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the city, the state of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012, there was a conduit bond issue outstanding with an aggregate unpaid principal amount of [REDACTED]. Final payment for this debt is September of 2013.

Note 11 – 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:

<u>Year</u>	General Fund
2013	[REDACTED]
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]

Note 12 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2012 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ [REDACTED]	\$ [REDACTED]
Community Center Debt Service Fund		
[REDACTED] Fund		
[REDACTED] Fund		
Total	\$ [REDACTED]	\$ [REDACTED]

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

Note 13 – Restricted Net Position

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

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Capital Improvements	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Additional Sales Tax Fund			
Gross Receipts Taxes			
Library			
Debt Service	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Additional Sales Tax Fund			
TIF #2 Debt Service Fund			
Community Center & Clubhouse Fund			
[REDACTED] Fund			
Total Restricted Net Assets	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Note 14 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2012 were as follows:

<u>Transfer From:</u>	<u>Transfer to:</u>	
	<u>General Fund</u>	<u>North Industrial Park Improvement</u>
[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total	\$ [REDACTED]	\$ [REDACTED]

The City typically budgets transfers to the General Fund to conduct the indispensable functions of the City. The [REDACTED] Fund received a transfer from the [REDACTED] fund in order to close out the fund.

Note 15 – 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 [REDACTED] 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 public safety and judicial 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, 2012, 2011, and 2010 were [REDACTED] and [REDACTED] respectively, equal to the required contributions each year.

Note 16 – Joint Ventures

The City joined with numerous other [REDACTED] in the state in ownership of the [REDACTED] encompassing the state for [REDACTED]. The network is a revenue pooling arrangement in which revenues are derived based on the amount of usage of the system. The City invested in the [REDACTED] based on its usage for the year ended December 31, 1998, and the [REDACTED] in existence on December 31, 1998. The City of Beresford's investment in the [REDACTED] is [REDACTED]. The City received [REDACTED] in revenue distributions from this investment during 2012.

Separate financial statements for the [REDACTED] are available from [REDACTED].

The following is the percentage of stock ownership as of December 31, 2012.



The member's equity interest varies based on its cumulative contributions. The City has an equity interest in the net position and has a responsibility to fund its proportionate share of any deficits in the joint venture.

Note 17 – Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2012, the City managed its risks as follows:

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft of or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over 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.

Note 18 – Significant Commitments

The City is contingently liable for payment of up to [REDACTED] for the total debt issued to the Beresford Housing & Redevelopment Commission to provide financing for moderate income housing projects. The City will guarantee this payment if the net revenues of the projects are not sufficient to make all debt service payments. As of December 31, 2012, the current outstanding amount of debt issued is [REDACTED] creating a total contingent liability of [REDACTED]

Note 19 – Significant Contingencies - Litigation

At December 31, 2012, the city was not involved in any overtly threatening or pending litigation which would have a material impact upon the fair presentation of the City's financial statements.

Beresford [REDACTED] which is City owned, has been involved in litigation where it is seeking to recover funds due to them from a [REDACTED]. This is not a liability of the City but could increase the assets of the [REDACTED]

REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF BERESFORD
 BUDGETARY BASIS COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes				
General Sales and Use Taxes				
Gross Receipt Taxes				
Amusement Taxes				
Penalties and Interest				
Licenses and Permits				
Intergovernmental Revenue:				
Federal Grants				
State Shared Revenue:				
Bank Franchise Tax				
Reversion				
Motor Vehicle Licenses				
Local Government Highway and Bridge Fund				
Other				
County Shared Revenue:				
County HBR Tax				
County Wheel Tax				
Charges for Goods and Services:				
Public Safety				
Highways and Streets				
Culture and Recreation				
Fines and Forfeits:				
Court Fines and Costs				
Miscellaneous Revenue:				
Investment Earnings				
Rentals				
Street Assessments				
Contributions & Donations				
Other				
Total Revenue				

REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF BERESFORD
 BUDGETARY BASIS COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative				
Executive				
Financial Administration				
Other				
Total General Government				
Public Safety:				
Police				
Fire				
Dispatch Office				
Total Public Safety				
Public Works:				
Highways and Streets				
Total Public Works				
Health and Welfare				
Culture and Recreation:				
Parks				
Recreation				
Libraries				
Total Culture and Recreation				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)				
Debt Service				
Contingency				
Total Expenditures				
Excess of Revenue Over (Under) Expenditures				
Other Financing Sources (Uses):				
Transfers In				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balance - Beginning				
FUND BALANCE - ENDING				

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
ADDITIONAL SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$			
Miscellaneous Revenue:				
Investment Earnings				
Total Revenue				
Expenditures:				
Debt Service				
Total Expenditures				
Excess of Revenue Over (Under) Expenditures				
Other Financing Sources (Uses):				
Proceeds of Long-term Debt				
Payment to Refunding Escrow				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balance - Beginning				
FUND BALANCE - ENDING	\$			

CITY OF BERESFORD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed percent of the total municipal budget and may be transferred by the resolution of the Governing Board/City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by the resolution of the Governing Board/City Commission.

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and each major special revenue fund are adapted on a consistent basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2: GAAP/ Budgetary Accounting Basis Differences

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

City Of Beresford



101 N. Third
Beresford, S.D. 57004-1796
PHONE: (605) 763-2008
FAX: (605) 763-2329

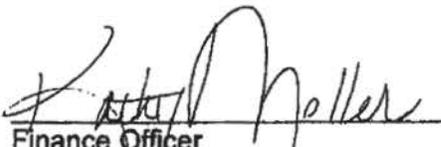
CORRECTIVE PLAN OF ACTION
12/31/12

The City of Beresford has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time it is not cost efficient for the City of Beresford to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the City of Beresford to decrease the likelihood that financial data is adversely affected.

The City of Beresford will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allows.



Mayor



Finance Officer

REDACTED - FOR PUBLIC INSPECTION

**CITY OF BERESFORD
COMPILATION REPORT
DECEMBER 31, 2013**

REDACTED - FOR PUBLIC INSPECTION

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN - P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

March 11, 2014

City Council
City of Beresford
Beresford, SD 57004

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beresford, South Dakota, as of and for the year ended December 31, 2013. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the City of Beresford, South Dakota, is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operation, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Quam & Berglin, P.C.

Quam & Berglin, PC
Certified Public Accountants

CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Major Funds					Nonmajor	Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Tax Increment District No. 2 Debt Service Fund	Community Center & Clubhouse Debt Service Fund	Sanitary Sewer Improvement Project	Library Special Revenue Fund	
ASSETS:							
100 Cash and Cash Equivalents	\$		\$	\$	\$	\$	\$
106 Cash with Fiscal Agent							
110 Taxes Receivable-Delinquent							
115 Accounts Receivable							
128 Notes Receivable							
132 Due from Other Governments							
141 Inventory of Supplies							
107.1 Restricted Cash and Cash Equivalents							
107.2 Restricted Investments							
TOTAL ASSETS							
LIABILITIES AND FUND BALANCES:							
Liabilities:							
208 Due to							
216 Accrued Wages Payable							
217 Payroll Deductions and Withholdings and Employer Matching Payable							
224 Deferred Revenue							
Total Liabilities							
Fund Balances:							
263 Nonspendable							
264 Restricted							
267 Unassigned							
Total Fund Balances							
TOTAL LIABILITIES AND FUND BALANCES	\$	\$	\$	\$	\$	\$	\$

See Accountant's Compilation Report

**CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Major Funds					Nonmajor	Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Tax Increment District No. 1 Debt Service Fund	Community Center & Clubhouse Debt Service Fund	Sanitary Sewer Improvement Project	Library Special Revenue Fund	
Revenues:							
310 Taxes:							
311 General Property Taxes	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
313 General Sales and Use Taxes		[REDACTED]					
314 Gross Receipts Business Taxes							
315 Amusement Taxes							
316 [REDACTED] Surcharge							
319 Penalties and Interest on Delinquent Taxes							
320 Licenses and Permits							
330 Intergovernmental Revenue:							
331 Federal Grants							
335 State Shared Revenue:							
335.01 Bank Franchise Tax							
335.03 [REDACTED] Reversion							
335.04 Motor Vehicle Licenses							
335.08 Local Government Highway and Bridge Fund							
335.20 Other							
338 County Shared Revenue:							
338.02 County HBR Tax [REDACTED]							
338.03 County Wheel Tax							
340 Charges for Goods and Services:							
342 Public Safety							
343 Highways and Streets							
346 Culture and Recreation							
350 Fines and Forfeits:							
351 Court Fines and Costs							

REDACTED - FOR PUBLIC INSPECTION

360 Miscellaneous Revenue:
 361 Investment Earnings
 362 Rentals
 367 Contributions & Donations
 369 Other
 Total Revenue

Expenditures:

410 General Government:
 411 Legislative
 412 Executive
 414 Financial Administration
 419 Other
 Total General Government

420 Public Safety:

421 Police
 422 Fire
 429 Other Protection

430 Public Works:

431 Highways and Streets

440 Health and Welfare:

441 Health

450 Culture and Recreation:

451 Recreation
 452 Parks
 455 Libraries

Total Culture and Recreation

REDACTED - FOR PUBLIC INSPECTION

LIABILITIES:

Current Liabilities:

202 Accounts Payable	\$		\$		\$		\$		\$		\$		\$	
217 Payroll Deductions and Withholdings and Employer Matching Payable														
220 Customer Deposits														
226 Bonds Payable Current:														
226.02 Revenue														
230 Compensated Absences Payable - Current														
Total Current Liabilities														

Noncurrent Liabilities:

231 Bonds Payable:														
231.02 Revenue														
233 Accrued Leave Payable														
Total Noncurrent Liabilities														

NET ASSETS:

253.10 Net Investment in Capital Assets	[REDACTED]													
253.20 Restricted for:	[REDACTED]													
253.21 Revenue Bond for Debt Service														
253.90 Unrestricted Net Assets														
Total Net Assets														
TOTAL LIABILITIES AND NET ASSETS														

See Accountant's Compilation Report

REDACTED - FOR PUBLIC INSPECTION

CITY OF BERESFORD
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 12/31/13

	Enterprise Funds				Component Unit				Totals
Operating Revenue:									
370/380 Charges for Goods and Services	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue Dedicated to Servicing Debt									
380.05 Lottery Sales									
369 Miscellaneous									
Total Operating Revenue									
Operating Expenses:									
410 Personal Services									
420 Other Current Expense									
426.2 Materials (Cost of Goods Sold)									
Total Operating Expenses									
Operating Income (Loss)									
Nonoperating Revenue (Expense):									
361 Investment Earnings									
366 Gain (Loss) on Disposition of Assets									
442 Interest Expense									
Total Nonoperating Revenue (Expense)									
Income (Loss) Before Transfers and Contributions									
511 Transfers (Out)									
Change in Net Assets									
Net Assets - Beginning									
NET ASSETS - ENDING	\$	\$	\$	\$	\$	\$	\$	\$	\$

See Accountant's Compilation Report

REDACTED - FOR PUBLIC INSPECTION

	Beginning Balance <u>1/1/2013</u>	<u>Additions</u>	<u>Retired</u>	Ending Balance <u>12/31/2013</u>	Due within <u>One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Bonds, TIF Series	\$	\$	\$	\$	\$
Cert. of Part., Series 2012A & 2013					
Financing (Capital Acquisition) Lease					
Accrued Compensated Absences - Governmental Funds					
Total Governmental Activities		-			
Business-Type Activities:					
Revenue Bonds - GO, Series 2012	\$	\$	\$	\$	\$
Certificates of Participation, Series 2012B					
Accrued Compensated Absences - Business- Type Funds					
Total Business-Type Activities		-			
Total Primary Government	\$	-	\$	\$	\$

Five-Year Plan Language for Beresford Municipal Telephone Company

Pursuant to 47 C.F.R. 54.202(a)(1)(ii), Beresford Municipal Telephone Company ("Beresford") submits a five-year plan that describes with specificity proposed improvements or upgrades to its network throughout its proposed service area. This plan is based on Beresford's current business and financial conditions and is subject to change as a result of changes in those conditions.

Pursuant to 47 C.F.R. 54.313, in each subsequent year, Beresford will file a progress report on its five-year service quality improvement plan pursuant to 54.202(a), including maps detailing its progress towards meeting its plan targets, an explanation of how much universal service support was received and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year.

As of January 1, 2014, [REDACTED] of subscribers in the Beresford wire center have access to broadband Internet service through Beresford's fiber optic and or copper facilities. Subscribers served by these facilities have access that meets or exceeds the 4/1 Mbps standard. No capital improvements are required for those subscribers meeting the 4/1 Mbps standard other than maintenance of facilities and as such, no capital investment to these subscribers is outlined in this plan.

Although no capital improvements are required in the Beresford wire center to bring subscribers to the 4/1 Mbps standard, universal service support is used for on-going maintenance and operating expenses as well as for capital recovery of past capital investments. It is reasonable to expect depreciation (capital recovery), maintenance, and operating expenses for the 2015 through 2019 calendar years.