

CITY OF BELLE FOURCHE  
BELLE FOURCHE, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2013  
WITH INDEPENDENT AUDITOR'S REPORTS

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

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

CITY OF BELLE FOURCHE  
BELLE FOURCHE, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2013

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

# INDEPENDENT AUDIT SERVICES, PC

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Governing Board  
City of Belle Fourche  
Belle Fourche, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Belle Fourche (City), Butte County, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1.c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

### *Unmodified Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belle Fourche, South Dakota, as of December 31, 2013, and the respective changes in its financial

position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

*Emphasis of Matter - Modified Cash Basis of Accounting*

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Other Matters - Supplementary Information (No Opinion)*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Belle Fourche's financial statements.

The management's discussion and analysis (page 4 to 10) and the budgetary comparison schedules (page 37 to 40) are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Matters - Supplementary Information (Opinion)*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Belle Fourche's financial statements.

The combining non-major fund financial statements (page 41 to 43) are presented for the purpose of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term debt (page 44 to 45) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The combining non-major fund financial statements and the schedule of changes in long-term debt are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the combining non-major fund financial statements and the schedule of changes in long-term debt are fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report (page 46) dated December 29, 2014 on my tests of City of Belle Fourche's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

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

December 29, 2014

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Belle Fourche's (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2013, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2013	2012
Receipts:		
Charges for goods and services	4,776,743	4,725,456
Operating grants	104,159	106,380
Capital grants, contributions	554,650	366,743
General receipts	4,444,407	3,979,002
2012 Sales Tax bond issued		4,500,000
	-----	-----
Total	9,879,959	13,677,581
	-----	-----
Disbursements:		
Governmental	8,225,492	5,648,345
Business-type	3,456,695	3,735,364
	-----	-----
Total	11,682,187	9,383,709
	-----	-----
Increase (Decrease) in Net Position	(1,802,228)	4,293,872
Net Position:		
December 31, 2011		8,574,566
		-----
December 31, 2012	12,868,438	12,868,438
	-----	=====
December 31, 2013	11,066,210	
	=====	
Governmental Funds:		
General	5,509,529	7,624,082
3rd Cent	312,029	260,722
Debt Service	208,073	53,129
City Hall Capital Project	0	156,537
Other governmental funds	187,127	201,771
Business-Type Funds:		
Liquor	197,345	159,391
Water	1,626,130	1,597,776
Sewer	852,818	798,047
Landfill	2,173,159	2,016,983
	-----	-----
Total	11,066,210	12,868,438
	=====	=====

During the year ending December 31, 2013:

The City of Belle Fourche:

- \* Made street improvements for \$238,349.
- \* Made airport improvements for \$75,415.
- \* Made Community Center aquatic improvements for \$129,464.
- \* Made Industrial and Rail Park improvements for \$2,771,500.
- \* Made water improvements for \$127,903 and purchased water equipment for \$55,537.
- \* Made sewer improvements for \$15,036 and purchased sewer equipment for \$38,526.
- \* Purchased landfill equipment for \$35,798 and paid closure/post closure cost of \$85,165.
- \* Made principal payments of \$429,741 on 7 loans, including the pay-off of the 2003 sales tax revenue refunding bonds for \$177,405 and two TIF loans for \$66,911. The City is current on all loans. See page 44 for information.

During the year ending December 31, 2012:

The City of Belle Fourche:

- \* Issued sales tax revenue bonds for \$4,500,000.
- \* Made building improvements for \$130,041.
- \* Made street improvements for \$342,869.
- \* Made airport improvements for \$368,427.
- \* Made Community Center building improvements for \$50,591.
- \* Made water improvements for \$28,282 and purchased water equipment for \$19,086.
- \* Made sewer improvements for \$17,541 and purchased sewer equipment for \$11,949.
- \* Purchased landfill equipment for \$831,862 and paid closure/post closure cost of \$20,772.
- \* Made principal payments of \$489,609 on 7 loans. The City is current on all loans. See page 44 for information.

#### BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 10) as supplementary information, (2) the basic financial statements (page 11 to 36) and (3) additional supplementary information (page 37 to 45). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the City.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City during 2012 and 2013 are the general, 3rd cent, debt service, Dick Bowman memorial, BFACC donation, library memorial, museum memorial, perpetual care, and the city hall capital project funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City are the liquor, water, sewer, and landfill funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The City had no fiduciary funds during 2012 and 2013.

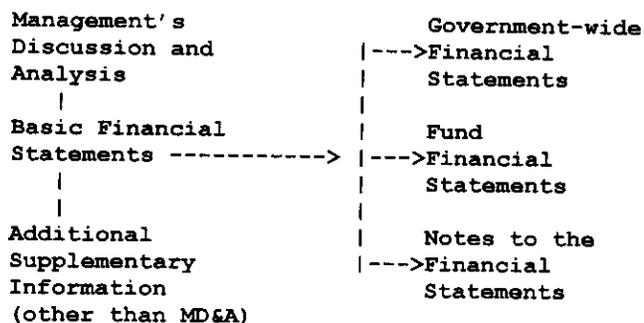
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents (1) a budgetary analysis for the general fund and major special revenue funds, (2) combining nonmajor fund financial statements, and (3) a schedule of long-term debt.

Supplementary Information:

The management's discussion and analysis (page 4 to 10), budgetary comparison schedules (page 37 to 40), combining nonmajor fund financial statements (page 41 to 43), and schedule of long-term debt (page 44 and 45) provide readers of this report with additional data that supplements the government-wide statements and fund financial statements.

The budgetary comparison schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

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



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

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	City Activities except Enterprise (ie: water) and Fiduciary	Activities operated like a private business (ie: water)	(Agency if any) City's custody of money and property that belongs to others
Modified Cash Basis Financial Statements	Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net position
	Statement of Activities	Stmt. of Receipts Disbursements and Changes in Fund Balance	Stmt. of Receipts, Disbursements and Changes in Net Position  Stmt. of Cash Flows	None
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Cash, CDs Investments,	Cash, CDs, and Investments	Cash, CDs and Investments	Cash, CDs and Investments
Types of Receipts and Disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	None None

#### BASIS OF ACCOUNTING

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

As a result of the use of the modified cash basis of accounting, certain assets (such as inventory and capital assets), liabilities (such as accounts payable and long-term debt) and expenses (such as depreciation) are not recorded in these financial statements. Therefore, when reviewing the financial information presented in this report, the reader should keep in mind the limitations resulting from the use of this modified cash basis of accounting.

#### GOVERNMENT-WIDE STATEMENTS

(Reporting on the City as a whole)

The government-wide statements (page 11 to 13) report information about the City as a whole using modified cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash, certificates of deposit and investments. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificates of deposit, and investments (if any). The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

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

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

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

#### FUND FINANCIAL STATEMENTS

(Reporting on the City's most significant funds)

The fund financial statements (page 14 to 23) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like the city hall capital project fund.

The fund financial statements show information in three broad categories: governmental, enterprise, and fiduciary (if any).

**Governmental funds:** Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance City programs.

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

**Fiduciary funds:** The City can be the agent (or fiduciary) for various internal and external parties. As such, the City would be responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities would be reported in a separate statement of

fiduciary net position. Fiduciary funds are excluded from the City's government-wide financial statements because the City can not use these assets to finance City's operations. The City had no fiduciary funds during 2012 or 2013.

**MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

(Material changes for governmental activities = changes greater than \$400,000)  
 (Material changes for business-type activities = changes greater than \$300,000)

== 2013 ==	Increase (Decrease)	Reason and Principal Fund(s) Affected
<b><u>Governmental Activities:</u></b>		
Cash and equivalent	(2,079,000)	Use of 2012 sales tax bond proceeds for industrial/rail park and other improvements.
Capital grants	428,000	Receipt of federal and state grants for airport and road improvements.
Revenue from taxes	454,000	Increase in sales tax receipts.
Public works	(509,000)	Airport improvements of \$368,000 and Helmer Road work of \$109,000 done in 2012.
Economic development	2,679,000	Industrial/rail park improvements.
2012 sales tax bond	(4,500,000)	Issued in 2012.
<b><u>Business-type Activities:</u></b>		
Landfill cost	(521,000)	Equipment purchases of \$832,000 in 2012.
== 2012 ==		
<b><u>Governmental Activities:</u></b>		
Cash and equivalent	4,084,000	Issued a \$4,500,000 sales tax revenue bond.
Public works	660,000	Airport improvements of \$368,000 and Helmer Road work of \$109,000 done in 2012.
2012 sales tax bond	4,500,000	Issued in 2012.
<b><u>Business-type Activities:</u></b>		
Charges for services	365,000	Increased sales at liquor store and landfill.
Landfill cost	903,000	Equipment purchases of \$832,000 in 2012.

**SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET**

The City's general fund budget of \$8,709,307 for the 2013 year is an increase of \$2,980,800 or 52.04% from 2012. The increase was primarily in the economic development line. There were supplemental appropriations to the general fund budget of \$3,182,488 over several lines. See page 37 for more information.

The City's general fund budget of \$5,728,507 for the 2012 year is an increase of \$702,236 or 13.98% from 2011. The increase was largely in the airport line. There were supplemental appropriations to the general fund budget of \$295,102 over several lines. See page 38 for more information.

**SIGNIFICANT CAPITAL ASSET ACTIVITY**

Significant capital asset is reported above.

**SIGNIFICANT LONG-TERM DEBT ACTIVITY**

Significant long-term debt activity is reported above. City is current on all long-term debt. See page 44 and 45 for more information.

## ECONOMIC FACTORS

In 2013 the City collected \$1,524,225 in property taxes, which is a decrease of \$7,062 or 0.47% from the prior year. Also, the City collected \$2,526,213 in sales taxes, which is an increase of \$460,860 or 22.32% from the prior year.

In 2012 the City collected \$1,531,287 in property taxes, which is an increase of \$65,738 or 4.49% from the prior year. Also, the City collected \$2,065,353 in sales taxes, which is an increase of \$45,263 or 2.24% from the prior year.

## CURRENTLY KNOWN FACTS

In January 2014 the City entered into a 7 year lease/purchase of a Caterpillar motor grader for \$258,240.

In March 2014 the City approved the purchase of a loader backhoe for \$85,751.

In March 2014 the City approved a railroad design contract to Terra Tec Engineering for the City's Industrial & Rail Park for \$136,900.

In May 2014 the City awarded the Lensegrav Addition street, water, and sewer improvements to Ladner Excavating for \$866,094.

In May 2014 the City purchased a new Dodge Charger for \$25,317.

In May 2014 the City provided the Belle Fourche Development Corporation \$276,500 for economic development purposes.

In October 2014 the City approved the purchase of a street sweeper for \$170,829 in 2015.

In November 2014 the City awarded a two year IT service contract to Computer Engineering for \$74,730.

In December 2014 the City awarded the State Street and 10th Avenue water improvement project to Site Works Specialists for \$377,554.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Belle Fourche's business office at 511 Sixth Avenue, Belle Fourche, SD 57717.

CITY OF BELLE FOURCHE  
 TABLE 1 - NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 AS OF DECEMBER 31, 2013, 2012 AND 2011

	Governmental Activities			Business-Type Activities			Total Government		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Assets:</b>									
Current assets:									
Cash	4,027	3,321	3,664	4,207	4,015	3,826	8,234	7,336	7,490
Investments				225	225	225	225	225	225
Current assets, restricted:									
Cash	485	435	392	417	332	312	902	767	704
Certificats of deposit	157	157	156				157	157	156
Investments	1,548	4,383					1,548	4,383	0
<b>Total assets</b>	<b>6,217</b>	<b>8,296</b>	<b>4,212</b>	<b>4,849</b>	<b>4,572</b>	<b>4,363</b>	<b>11,066</b>	<b>12,868</b>	<b>8,575</b>
<b>Liabilities:</b>									
None reported (cash basis)									
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net position:</b>									
Restricted	2,189	4,974	548	417	332	312	2,606	5,306	860
Unrestricted	4,028	3,322	3,664	4,432	4,240	4,051	8,460	7,562	7,715
<b>Total net position</b>	<b>6,217</b>	<b>8,296</b>	<b>4,212</b>	<b>4,849</b>	<b>4,572</b>	<b>4,363</b>	<b>11,066</b>	<b>12,868</b>	<b>8,575</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE THREE YEARS ENDING DECEMBER 31, 2013

	Governmental Activities			Business-Type Activities			Total Government		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Revenues:</b>									
Program revenues:									
Charges for services	541	540	478	4,236	4,186	3,821	4,777	4,726	4,299
Operating grants and contri.	38	98	40	66	8		104	106	40
Capital grants and contri.	555	127	215		240		555	367	215
General revenues:									
Revenue from taxes	4,052	3,598	3,487				4,052	3,598	3,487
Revenue from state sources	150	147	122				150	147	122
Revenue from county sources	23	23	23				23	23	23
Interest earnings	12	18	24	9	12	36	21	30	60
Rents and franchise fees	68	68	64				68	68	64
Donations	55	40	91				55	40	91
Other general revenue	71	57	61		3		71	60	61
<b>Total revenues</b>	<b>5,565</b>	<b>4,716</b>	<b>4,605</b>	<b>4,311</b>	<b>4,449</b>	<b>3,857</b>	<b>9,876</b>	<b>9,165</b>	<b>8,462</b>
<b>Expenses:</b>									
General government	879	954	935				879	954	935
Public safety	1,365	1,078	1,061				1,365	1,078	1,061
Public works	808	1,317	657				808	1,317	657
Health and welfare	62	25	34				62	25	34
Culture and recreation	1,583	1,394	1,297				1,583	1,394	1,297
Economic development	2,862	183	124				2,862	183	124
Debt service, interest	621	686	588				621	686	588
Other	45	12	20				45	12	20
Liquor				1,124	1,057	904	1,124	1,057	904
Water				671	529	776	671	529	776
Sewer				460	426	450	460	426	450
Landfill				1,202	1,723	820	1,202	1,723	820
<b>Total expenses</b>	<b>8,225</b>	<b>5,649</b>	<b>4,716</b>	<b>3,457</b>	<b>3,735</b>	<b>2,950</b>	<b>11,682</b>	<b>9,384</b>	<b>7,666</b>
<b>Excess of revenues over (under) expenses</b>	<b>(2,660)</b>	<b>(933)</b>	<b>(111)</b>	<b>854</b>	<b>714</b>	<b>907</b>	<b>(1,806)</b>	<b>(219)</b>	<b>796</b>
Transfers	577	505	468	(577)	(505)	(468)	0	0	0
Sale of surplus property	1	4	30			1	1	4	31
Insurance settlements	3	8	9				3	8	9
2012 Sales Tax bond issued		4,500					0	4,500	0
<b>Change in net position</b>	<b>(2,079)</b>	<b>4,084</b>	<b>396</b>	<b>277</b>	<b>209</b>	<b>440</b>	<b>(1,802)</b>	<b>4,293</b>	<b>836</b>
<b>Net position:</b>									
December 31, 2010			3,816			3,923			7,739
December 31, 2011		4,212	4,212	4,363	4,363		8,575	8,575	8,575
December 31, 2012	8,296	8,296		4,572	4,572		12,868	12,868	
December 31, 2013	6,217			4,849			11,066		

CITY OF BELLE FOURCHE

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION -- MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4,027,680	4,207,228	8,234,908
Investments - money market	-----	224,707	224,707
<b>Total current assets</b>	<b>4,027,680</b>	<b>4,431,935</b>	<b>8,459,615</b>
<b>Restricted assets:</b>			
Cash and cash equivalents	484,487	417,517	902,004
Certificate of deposit	156,537	-----	156,537
Investments - South Dakota FIT	1,548,054	-----	1,548,054
<b>Total restricted assets</b>	<b>2,189,078</b>	<b>417,517</b>	<b>2,606,595</b>
<b>Total assets</b>	<b>6,216,758</b>	<b>4,849,452</b>	<b>11,066,210</b>
	=====	=====	=====
<b>NET POSITION</b>			
<b>Restricted for:</b>			
Perpetual care: non-expendable	50,000	-----	50,000
Debt service	516,902	-----	516,902
Construction	1,239,225	-----	1,239,225
Donor and memorial covenants	70,922	-----	70,922
3rd cent uses	312,029	-----	312,029
Landfill closure and post-closure	-----	417,517	417,517
<b>Unrestricted</b>	<b>4,027,680</b>	<b>4,431,935</b>	<b>8,459,615</b>
<b>Total net position</b>	<b>6,216,758</b>	<b>4,849,452</b>	<b>11,066,210</b>
	=====	=====	=====

See accompanying notes.





CITY OF BELLE FOURCHE

BALANCE SHEET -- MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2013

	General Fund	3rd Cent Fund	Debt Service Fund	City Hall Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	3,961,475				66,205	4,027,680
Restricted assets:						
Cash and cash equivalents		312,029	51,536		120,922	484,487
Certificate of deposit			156,537			156,537
Investments - South Dakota FIT	1,548,054					1,548,054
<b>Total assets</b>	<b>5,509,529</b>	<b>312,029</b>	<b>208,073</b>	<b>0</b>	<b>187,127</b>	<b>6,216,758</b>
<b>FUND BALANCE</b>						
Nonspendable					50,000	50,000
Restricted	1,548,054	312,029	208,073		70,922	2,139,078
Committed						0
Assigned	452,082				66,205	518,287
Unassigned	3,509,393					3,509,393
<b>Total fund balances</b>	<b>5,509,529</b>	<b>312,029</b>	<b>208,073</b>	<b>0</b>	<b>187,127</b>	<b>6,216,758</b>
				<b>CLOSED</b>		

\* Also equals net position on statement of net position.

See accompanying notes.

## CITY OF BELLE FOURCHE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2013

Receipts:	General Fund	3rd Cent Fund	Debt Service Fund	City Hall Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts from local sources:						
Taxes:						
Ad valorem taxes	1,385,957		138,268			1,524,225
General sales and use taxes	2,363,002	163,211				2,526,213
Gross receipts tax	2,020					2,020
Licenses and permits:	96,752					96,752
Intergovernmental receipts:						
Federal grants:	394,607				1,838	396,445
State shared receipts:						
State grants	195,866					195,866
Bank franchise tax	11,333					11,333
Commercial vehicle prorata	6,662					6,662
Liquor tax reversion	29,387					29,387
Motor vehicle licenses (5%)	33,730					33,730
Highway and bridge	69,061					69,061
County shared receipts:						
Road taxes	17,588					17,588
Library	5,188					5,188
Charges for goods and services:						
General government	1,365					1,365
Public safety	705					705
Public works	2,999					2,999
Cemetery	12,888				4,679	17,567
Culture and recreation	378,267				3,129	381,396
Fines and forfeits:	7,166					7,166
Miscellaneous receipts:						
Interest received	11,647	466			310	12,423
Rental and franchise fees	58,529	9,186				67,715
Special assessments	33,341					33,341
Donations	13,710	18,988			22,398	55,096
5% beer mark-up	53,116					53,116
Miscellaneous	17,503	255		25		17,783
<b>Total receipts</b>	<b>5,202,389</b>	<b>192,106</b>	<b>138,268</b>	<b>25</b>	<b>32,354</b>	<b>5,565,142</b>
Disbursements:						
General government:						
Mayor and council	130,249					130,249
Elections	75					75
Financial administration	182,743					182,743
Insurance	139,725					139,725
Engineering	145,777					145,777
Government buildings	264,311					264,311
Public safety:						
Police	998,937					998,937
Fire	50,173					50,173
Protective inspection	20,283					20,283
Public works:						
Highways and streets	290,853					290,853
Airport	38,339					38,339
Cemetery	108,478					108,478
Health and welfare:						
West Nile	12,631					12,631
Health	49,350					49,350
Culture and recreation:						
Belle Fourche Area Comm. Cent.	764,219				12,669	776,888
Parks	139,286					139,286
Recreation - Roundup		71,082				71,082
Library	190,938				1,679	192,617
Bowman/Comm Halls	8,475					8,475
Museum	145,021				4,635	149,656
Conservation and development:						
Economic development	11,183					11,183
City promotion	79,500					79,500
Debt service:						
Principal	177,405	39,086	211,850			428,341
Interest and fees	94,665	16,284	81,412			192,361
Other:	44,804					44,804
Capital outlay	3,660,348	13,881			25,171	3,699,400
<b>Total disbursements</b>	<b>7,747,768</b>	<b>140,333</b>	<b>293,262</b>	<b>0</b>	<b>44,154</b>	<b>8,225,517</b>
Excess of receipts over (under) disbursements	(2,545,379)	51,773	(154,994)	25	(11,800)	(2,660,375)

(continued)



CITY OF BELLE FOURCHE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

Receipts:	General Fund	3rd Cent Fund	Debt Service Fund	City Hall Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts from local sources:						
Taxes:						
Ad valorem taxes	1,323,103		208,184			1,531,287
General sales and use taxes	1,926,448	138,905				2,065,353
Gross receipts tax	1,805					1,805
Licenses and permits:	95,789					95,789
Intergovernmental receipts:						
Federal grants:	221,418				3,346	224,764
State shared receipts:						
Bank franchise tax	12,855					12,855
Commercial vehicle prorata	6,447					6,447
Liquor tax reversion	30,383					30,383
Motor vehicle licenses (5%)	29,911					29,911
Highway and bridge	67,725					67,725
County shared receipts:						
Road taxes	17,602					17,602
Library	5,000					5,000
Charges for goods and services:						
General government	1,548					1,548
Public safety	2,429					2,429
Public works	399					399
Cemetery	18,674				5,274	23,948
Culture and recreation	369,449				4,636	374,085
Fines and forfeits:	7,351					7,351
Miscellaneous receipts:						
Interest received	17,426	668	22		446	18,562
Rental and franchise fees	59,586	8,015				67,601
Special assessments	34,122					34,122
Donations	5,497	15,450			19,309	40,256
5% beer mark-up	55,791					55,791
Miscellaneous	450	1,003				1,453
<b>Total receipts</b>	<b>4,311,208</b>	<b>164,041</b>	<b>208,206</b>	<b>0</b>	<b>33,011</b>	<b>4,716,466</b>
Disbursements:						
General government:						
Mayor and Council	86,509					86,509
Elections	2,215					2,215
Financial administration	182,029					182,029
Insurance	118,351					118,351
Engineering	145,268					145,268
Government buildings	279,646			25		279,671
Public safety:						
Police	957,135					957,135
Fire	39,478					39,478
Protective inspection	15,505					15,505
Public works:						
Highways and streets	297,563					297,563
Airport	34,935					34,935
Cemetery	112,245				286	112,531
Health and welfare:						
West Nile	1,136					1,136
Health	23,500					23,500
Culture and recreation:						
Belle Fourche Area Comm. Cent.	702,700				11,274	713,974
Parks	152,450					152,450
Recreation - Roundup		58,595				58,595
Library	185,834				1,266	187,100
Bowman/Comm Halls	7,357					7,357
Museum	119,468				7,139	126,607
Conservation and development:						
Economic development	44,501					44,501
City promotion	92,400					92,400
Debt service:						
Principal	169,966	37,397	265,719			473,082
Interest and fees	13,221	17,973	95,498			126,692
2012 Sales Tax Bond issue cos	86,239					86,239
Other:	11,850					11,850
Capital outlay	1,246,709	6,491			18,472	1,271,672
<b>Total disbursements</b>	<b>5,128,210</b>	<b>120,456</b>	<b>361,217</b>	<b>25</b>	<b>38,437</b>	<b>5,648,345</b>
Excess of receipts over (under) disbursements	(817,002)	43,585	(153,011)	(25)	(5,426)	(931,879)

(continued)

CITY OF BELLE FOURCHE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS (continued)  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	General Fund	3rd Cent Fund	Debt Service Fund	City Hall Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):						
Transfers in	530,901		153,175			684,076
Transfers (out)	(178,394)	(668)			(446)	(179,508)
Sale of capital assets	3,497					3,497
Compensation for damaged prop.	8,336					8,336
2012 Sales Tax Bond issue	4,500,000					4,500,000
Net change in fund balance	4,047,338	42,917	164	(25)	(5,872)	4,084,522 *
Fund balance:						
January 1, 2012	3,576,744	217,805	52,965	156,562	207,643	4,211,719
December 31, 2012	7,624,082	260,722	53,129	156,537	201,771	8,296,241

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

See accompanying notes.

CITY OF BELLE FOURCHE

STATEMENT OF NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2013

	Liquor Fund	Water Fund	Sewer Fund	Landfill Fund	Total Enterprise Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	197,345	1,626,130	852,818	1,530,935	4,207,228
Investments - money market				224,707	224,707
<b>Total current assets</b>	<b>197,345</b>	<b>1,626,130</b>	<b>852,818</b>	<b>1,755,642</b>	<b>4,431,935</b>
Restricted assets:					
Cash and cash equivalents				417,517	417,517
<b>Total restricted assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>417,517</b>	<b>417,517</b>
<b>Total assets</b>	<b>197,345</b>	<b>1,626,130</b>	<b>852,818</b>	<b>2,173,159</b>	<b>4,849,452</b>
<b>NET POSITION</b>					
Restricted:					
Landfill closure and post-closure				417,517	417,517
Unrestricted	197,345	1,626,130	852,818	1,755,642	4,431,935
<b>Total net position</b>	<b>197,345</b>	<b>1,626,130</b>	<b>852,818</b>	<b>2,173,159</b>	<b>4,849,452</b>

See accompanying notes.

CITY OF BELLE FOURCHE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Liquor Fund	Water Fund	Sewer Fund	Landfill Fund	Total Enterprise Funds
Operating receipts:					
Sale of goods and services	1,162,370	823,191	583,424	1,666,467	4,235,452
Total operating receipts	1,162,370	823,191	583,424	1,666,467	4,235,452
Operating disbursements:					
Personal services	99,255	332,716	286,041	571,103	1,289,115
Other current services	76,673	154,681	118,646	434,750	784,750
Cost of goods sold	948,192				948,192
Closure/post closure costs				85,165	85,165
Improvements	296	127,903	15,036	74,973	218,208
Equipment		55,537	38,526	35,798	129,861
Total operating disbursements	1,124,416	670,837	458,249	1,201,789	3,455,291
Total operating income (loss)	37,954	152,354	125,175	464,678	780,161
Nonoperating receipts (disbursements):					
Operating state grant - tire disposal				66,498	66,498
Interest receipts		3,417	1,864	3,883	9,164
Debt service - principal			(1,400)		(1,400)
- interest			(4)		(4)
Total nonoperating receipts (disbursements)	0	3,417	460	70,381	74,258
Income (loss) before transfers	37,954	155,771	125,635	535,059	854,419
Transfers in					0
Transfers (out)		(127,417)	(70,864)	(378,883)	(577,164)
Change in net position	37,954	28,354	54,771	156,176	277,255
Net position:					
January 1, 2013	159,391	1,597,776	798,047	2,016,983	4,572,197
December 31, 2013	197,345	1,626,130	852,818	2,173,159	4,849,452

See accompanying notes.

CITY OF BELLE FOURCHE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Liquor Fund	Water Fund	Sewer Fund	Landfill Fund	Total Enterprise Funds
Operating receipts:					
Sale of goods and services	1,078,140	886,682	568,653	1,652,310	4,185,785
Total operating receipts	1,078,140	886,682	568,653	1,652,310	4,185,785
Operating disbursements:					
Personal services	98,357	300,760	235,086	499,638	1,133,841
Other current services	67,548	180,599	144,567	370,929	763,643
Cost of goods sold	862,388				862,388
Closure/post closure costs				20,772	20,772
Building		3,617			3,617
Improvements	29,161	24,665	17,541		71,367
Equipment		19,086	11,949	831,862	862,897
Total operating disbursements	1,057,454	528,727	409,143	1,723,201	3,718,525
Total operating income (loss)	20,686	357,955	159,510	(70,891)	467,260
Nonoperating receipts (disbursements):					
Operating state grant - tire disposal				8,359	8,359
Interest receipts		4,235	2,229	5,104	11,568
Special assessments		2,716	854		3,570
Sale of assets					0
Debt service - principal			(16,527)		(16,527)
- interest			(312)		(312)
Total nonoperating receipts (disbursements)	0	6,951	(13,756)	13,463	6,658
Income (loss) before transfers and capital contributions	20,686	364,906	145,754	(57,428)	473,918
Transfers in					0
Transfers (out)		(128,235)	(71,229)	(305,104)	(504,568)
Capital contributions:					
State grant - Solid waste (2011G-RLA-401)				240,000	240,000
Change in net position	20,686	236,671	74,525	(122,532)	209,350
Net position:					
January 1, 2012	138,705	1,361,105	723,522	2,139,515	4,362,847
December 31, 2012	159,391	1,597,776	798,047	2,016,983	4,572,197

See accompanying notes.

CITY OF BELLE FOURCHE

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2013

	Liquor Fund	Water Fund	Sewer Fund	Landfill Fund	Total Enterprise Funds
Cash flows from:					
Operating activities:					
Receipts from customers	1,162,370	821,191	582,824	1,664,067	4,230,452
Receipts from interfund services provided (estimate)		2,000	600	2,400	5,000
Payments to employees	(99,255)	(332,716)	(286,041)	(571,103)	(1,289,115)
Payments to suppliers	(1,024,865)	(154,681)	(118,646)	(519,915)	(1,818,107)
Net cash provided (used) by operating activities	38,250	335,794	178,737	575,449	1,128,230
Noncapital financing activities:					
Cash received from state tire grant				66,498	66,498
Transfers in					0
Transfers (out)		(127,417)	(70,864)	(378,883)	(577,164)
Capital financing activities:					
Cash paid for improvements	(296)	(127,903)	(15,036)	(74,973)	(218,208)
Cash paid for equipment		(55,537)	(38,526)	(35,798)	(129,861)
Cash paid for debt principal			(1,400)		(1,400)
Cash paid for debt interest			(4)		(4)
Investing activities:					
Interest receipts		3,417	1,864	3,883	9,164
Investment redemption				60	60
Net increase (decrease) in cash	37,954	28,354	54,771	156,236	277,315
Cash and cash equivalent:					
January 1, 2013	159,391	1,597,776	798,047	1,792,216	4,347,430
December 31, 2013	197,345	1,626,130	852,818	1,948,452	4,624,745
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	37,954	152,354	125,175	464,678	780,161
Add back:					
Cash paid for improvements	296	127,903	15,036	74,973	218,208
Cash paid for equipment		55,537	38,526	35,798	129,861
Net cash provided (used) by operating activities	38,250	335,794	178,737	575,449	1,128,230

Noncash investing, capital and financing activities: None

See accompanying notes.

## CITY OF BELLE FOURCHE

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2012

	Liquor Fund	Water Fund	Sewer Fund	Landfill Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	1,078,140	884,682	568,053	1,649,910	4,180,785
Receipts from interfund services provided (estimate)		2,000	600	2,400	5,000
Payments to employees	(98,357)	(300,760)	(235,086)	(499,638)	(1,133,841)
Payments to suppliers	(929,936)	(180,599)	(144,567)	(391,701)	(1,646,803)
Net cash provided (used) by operating activities	49,847	405,323	189,000	760,971	1,405,141
Noncapital financing activities:					
Cash received from state tire grant				8,359	8,359
Transfers in					0
Transfers (out)		(128,235)	(71,229)	(305,104)	(504,568)
Capital financing activities:					
Cash received from special assmts		2,716	854		3,570
Cash received from state solid waste grant				240,000	240,000
Cash paid for buildings		(3,617)			(3,617)
Cash paid for improvements	(29,161)	(24,665)	(17,541)		(71,367)
Cash paid for equipment		(19,086)	(11,949)	(831,862)	(862,897)
Cash paid for debt principal			(16,527)		(16,527)
Cash paid for debt interest			(312)		(312)
Investing activities:					
Interest receipts		4,235	2,229	5,104	11,568
Investment redemption				60	60
Net increase (decrease) in cash	20,686	236,671	74,525	(122,472)	209,410
Cash and cash equivalent:					
January 1, 2012	138,705	1,361,105	723,522	1,914,688	4,138,020
December 31, 2012	159,391	1,597,776	798,047	1,792,216	4,347,430
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	20,686	357,955	159,510	(70,891)	467,260
Add back:					
Cash paid for buildings		3,617			3,617
Cash paid for improvements	29,161	24,665	17,541		71,367
Cash paid for equipment		19,086	11,949	831,862	862,897
Net cash provided (used) by operating activities	49,847	405,323	189,000	760,971	1,405,141
Noncash investing, capital and financing activities: None					

See accompanying notes.

CITY OF BELLE FOURCHE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

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

City officials at December 31, 2013 are:

Mayor:	Finance Officer:
Gary Hendrickson	Sharon Mins
Governing Board:	Attorney:
Greg Raisanen, President	Dwight Gubbrud
Frances Hays	
Gloria Landphere	
Chrisann Mateer	
Toni Moncur	
David Pummel	
Larry Schuldies	
Karen Wagner	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:  
Primary Government: - The City of Belle Fourche  
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of City of Belle Fourche consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Belle Fourche does not have any component units.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). 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 good and services.

The Statement of Net Position reports all cash and cash equivalent assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

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

Funds of the City are described below within their respective fund type:

*Governmental Funds*

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always 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. The City has the following special revenue funds:

3rd Cent Sales Tax Fund - A fund allowed by SDCL 10-52-8 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent can be spent on the promotion of the city. The 3rd cent sales tax fund is a major fund.

Other special revenue funds - The City maintains the following special revenue funds to adhere to donation and memorial requests. None of these funds are major funds.

Dick Bowman Memorial Fund (closed in 2013)  
Belle Fourche Area Community Center Donation Fund  
Library Memorial Fund  
Museum Memorial 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 cost. The City has the following debt service fund:

Debt Service Fund - to account for proceeds from special property taxes of Tax Increment Financing Districts, allowed by SDCL 11-9-24, which are restricted to use for the payment of principal and interest on debt issued to finance public improvements. The debt service fund accounts for 3 legally separate TIFs. TIF #1 and TIF #2 were closed in 2013. The City also accounts for repayment of the 2007 sales tax revenue bond through this fund. The debt service fund is a major fund.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's activities. The City has the following permanent fund:

Perpetual Care Fund - A fund to account for a \$50,000 donation, the interest from which can only be used for upkeep of the City's cemetery. The Perpetual Care Fund 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 enterprise funds and trust funds for individuals, private organizations, or other governments). The City has the following capital project funds:

City Hall Capital Project Fund - A fund to account for the funding and construction of a new City Hall. The City Hall Capital Project Fund is a major fund and was closed out in 2013.

#### Enterprise Funds (Business-Type)

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

Liquor Fund - A fund established by SDCL 35-3-21 to provide off-sale product to the general public. The liquor fund is a major fund.

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Belle Fourche. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Belle Fourche. The sewer fund is a major fund.

Landfill Fund - A fund established by SDCL 9-32-11 and 9-34A-6 to provide collection and disposal of solid waste for the City of Belle Fourche. The landfill fund is a major fund.

## Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency funds - agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds are used to accumulate resources entrusted to the City, which are then disbursed upon order from the applicable agency. Since agency funds are custodial in nature they do not involve the measurement of results of operations.

The City had no fiduciary funds during 2012 and 2013.

### 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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

#### 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 within the limitations of the modified cash basis of accounting as described below.

##### *Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

#### Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, major fund, and the aggregate remaining fund information activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are investments and certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would use the accrual basis of accounting.

d. Cash and Cash Equivalents:

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

For the year ending December 31, 2012 and the year ending December 31, 2013, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except for money market funds of \$224,767 in 2012 and \$224,767 in 2013.

e. Interfund Transactions:

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

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in three categories, as follows:

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

General Receipts:

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

g. Enterprise Fund Receipt Classifications:

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

h. Equity Classifications:

*Government-wide financial Statements:*

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

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

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Net Position Held in Agency Capacity."

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 which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash 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 cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- \* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

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

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

The City of Belle Fourche fund cash balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Perpetual Care	Statute	50,000
Restricted	General: 2012 sales tax bond proceeds:		
	Construction	Covenant	1,239,225
	Debt service	Covenant	308,829
	3rd Cent uses	Statute	312,029
	Debt service	Covenant	208,073
	BFACC donation fund	Covenant	15,671
	Library Memorial fund	Covenant	23,813
	Museum Memorial fund	Covenant	31,438
Committed	None		0
Assigned	General: Fire department	Resolution	52,082
	Bridge	Resolution	400,000
	Perpetual Care	Resolution	66,205
Unassigned	General		3,509,393
			-----
			6,216,758

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source:	
* 3rd Cent	Sales tax	(see page 15 and 17)
* Dick Bowman Memorial	Donations	(see page 42 and 43)
* Belle Fourche Area Community Center Donation	Donations	(see page 42 and 43)
* Library Memorial	Donations	(see page 42 and 43)
* Museum Memorial	Donations	(see page 42 and 43)

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

### Budget Overdrafts:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. Following are the overdrafts of general fund departmental expenditures compared to appropriations. See page 38 to 40.

2013: General fund/other	554
/debt service	86,070 (*)
2012: General fund/economic development	44,446
/debt service	86,239 (*)

(\*) Related to the new 2012 sales tax bond issue

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

## 3. DEPOSITS, INVESTMENTS, AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

Deposits - The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan

banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

Actual bank balances at December 31, 2013 were as follows: Insured \$1,250,025, Collateralized \*\* \$8,476,918, for a total of \$9,726,943.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits, including petty cash of \$3,665 at December 31, 2013 was \$9,293,449. Reconciliation of deposits to government-wide statement of net position is:

Statement of Net Position:

Unrestricted:

Cash and cash equivalents 8,234,908

Restricted:

Cash and cash equivalents 902,004

Certificate of deposit 156,537

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9,293,449

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Custodial Deposit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2013, the City's deposits in financial institutions were not exposed to deposit custodial credit risk.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. All of the City's deposits are in Pioneer Bank & Trust, Wells Fargo Bank and First Interstate Bank.

At December 31, 2013, the City had the following investments:

	Credit Rating	Maturities	Fair Value	Interest Rate Risk
Wells Fargo Advantage Government Money Market Fund: (13%)	Unrated	NA	224,707	note 1

Note 1: Fixed principal. Interest rate varies. Not subject to interest rate risk.

	Credit Rating	Maturities	Fair Value	Interest Rate Risk
South Dakota FIT: (87%) Govt. Cash Reserve Money Market	Unrated	NA	1,548,054	notes 1,2,3

notes

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk.
- 2 South Dakota FIT 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 SD.FIT 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.

3 Because the City has access to these funds on demand, they are considered to be a "cash equivalent."

Investment 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.

Investment Custodial Risk - The risk that, in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City was not exposed to custodial investment risk in 2012 or 2013.

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 deposit or investment. The City's policy is to credit all income from deposits and investments to the fund making the investment except for the perpetual care fund which credits its interest to the general fund.

#### 4. LONG-TERM DEBT (see schedule one on page 44 and 45)

As supplemental information, a summary of changes in long-term debt is presented in schedule one at the end of these notes. During 2012 and 2013 the City did not have any short-term debt or conduit debt.

#### 5. RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets and restricted net position at December 31, 2013 is as follows:

Purpose:	Governmental	Business-Type
Landfill closure cash		85,165
Landfill closure savings		332,352
Perpetual care cash	50,000	
Debt service	516,902	
Construction	1,239,225	
Donor and memorial covenants	70,922	
3rd cent uses	312,029	
	-----	-----
Total Restricted Assets	2,189,078	417,517

#### 6. INTERFUND TRANSACTIONS

The 2013 transfers "in" and "(out)" between funds were:

Fund:	Government-Wide	Business-Type	
General	427,098		Operations
3rd cent	(466)		Remit interest earned
Dick Bowman Memorial	(2,534)		Close fund
TIF #1	(3,328)		Close fund
TIF #2	49		Close fund
TIF #3	655		Interest reimbursement
City Hall debt service	312,562		Debt service
Perpetual care	(310)		Remit interest earned
City Hall capital project	(156,562)		Close fund
Water		(127,417)	Remit a portion of profit
Sewer		(70,864)	Remit a portion of profit
Landfill		(378,883)	Remit a portion of profit
	-----	-----	
	577,164	(577,164)	

The 2012 transfers "in" and "(out)" between funds were:

Fund:	Government-Wide	Business-Type	
General	352,507		Operations
3rd cent	(668)		Remit interest earned
City Hall debt service	153,175		Debt service
Perpetual care	(446)		Remit interest earned
Water		(128,235)	Remit a portion of profit
Sewer		(71,229)	Remit a portion of profit
Landfill		(305,104)	Remit a portion of profit
	-----	-----	
	504,568	(504,568)	

#### 7. TAX INCREMENT FINANCING (TIF) DISTRICTS

The City has signed agreements with several developers to form Tax Increment Financing (TIF) District as allowed by SDCL 11-9. The agreements require the TIF's positive tax increments be used to pay down debt related to the construction of the public improvements.

At December 31, 2013, the City had three active Tax Increment Financing Districts, which are accounted for in the debt service fund. The following information is provided regarding the debt of each of these districts:

	Debt outstanding December 31, 2013	Scheduled Start of Positive Tax Increments	Scheduled Dissolution of Tax Increment District at the end of
TIF #1	0	2005	2012
TIF #2	0	2006	2013
TIF #3	119,374	2008	2016
	-----		
	119,374		

#### 8. OPERATING LEASE

An operating lease is in place for a copier. Payments are made from the general fund. Minimum payment on this operating lease is \$139/month for 60 months starting in September 2009.

#### 9. LANDFILL CLOSURE AND REGULATORY COMPLIANCE

The landfill operation is handled as an enterprise fund by the City. The plan for the operation of the disposal site is based on Administrative Rules of the State of South Dakota (ARSD) 74:27:13. Plans for the operation and various contingencies have been prepared for and are available at the office of the county auditor.

The site is established on a total capacity of 2,812,451 cubic yards with an estimated life expectancy of 65 years.

Financial assurances for corrective action are only required at facilities with known releases of contaminants. The City of Belle Fourche has not had any known releases of contaminants.

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City accrues a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

At December 31, 2013 the estimated closure and post closure costs of \$351,220 are covered by \$85,165 of restricted cash and \$332,352 of restricted savings. Closure cost and post closure cost are estimated to be \$755,475 and \$552,000

respectively for a total of \$1,307,475. The landfill has a capacity of 2,812,451 cubic yards of which 718,067 (or approximately 26.9%) has been filled by the end of 2013. The total cost of \$1,307,475 times 26.9% gives the \$351,220 of current liability for these costs.

Actual closure and post closure costs may be higher or lower due to inflation, expansions, changes in technology, or changes in regulations.

The City is required by the Department of Environmental and Natural Resources to deposit funds in a separate account to finance closure and post closure costs. At December 31, 2013 the City had \$332,352 in a separate account and the remaining \$85,165 was included with general checking cash.

#### 10. RETIREMENT PLAN

All employees, except for part-time employees and elected officials, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 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 years ending December 31, 2013, 2012, and 2011 were \$137,189, \$126,891, and \$123,586, (employer's share) respectively, equal to the required contribution each year. There are no deferred contributions.

#### 11. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current year or within the "availability period" of 30 days has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefor susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 14, 16, and 18.

#### 12. JOINT VENTURES

##### *Butte County Ambulance:*

The City participates in a joint venture, known as Butte County Ambulance, formed for the purpose of providing ambulance services to residents of Butte County and the Cities of Belle Fourche and Newell.

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

Butte County	50%
City of Belle Fourche	40%
City of Newell	10%

The joint venture's governing board is composed of 2 representatives from Butte County and the City of Belle Fourche and 1 representative from the City of Newell. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Butte County Ambulance Service at 717 6th Avenue, Belle Fourche, SD 57717.

At December 31, 2013, this joint venture had total UNAUDITED cash balances of \$119,741 and long-term debt of \$44,586.

### 13. LITIGATION

At December 31, 2013, the City was a party to litigation. No determination can be made at this time regarding the potential outcome of these matters. However, as discussed in the risk management note below, the City has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Therefore, this litigation is not expected to have a potential material effect on the City's financial statements.

### 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the two years ending December 31, 2013, the City managed its risks as follows:

#### Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier.

#### Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for general liability, officials liability, automobile insurance, and law enforcement liability.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$500 deductible for the officials liability and a \$2,000 deductible for law enforcement liability coverage.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

The City has vested benefits in the SDPAA Cumulative Reserve of \$84,069.

The City does carry additional property and liability insurance from a commercial insurance carrier.

Airport Liability Coverage:

The City has purchased airport liability coverage through a commercial insurance carrier. This insurance covers bodily injury and property damage. These coverages are provided to a \$1,000,000 limit for each occurrence and \$2,000,000 in the aggregate.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident.

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

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

Unemployment Benefits:

The City is on a reimbursement basis for any claims paid by the unemployment fund administered by the South Dakota Department of Labor. Because claim amounts are small, resources have not been designated to cover future claims. During the 2012 unemployment claims of \$50 were paid. During the 2013 unemployment claims of \$0 were paid. No unemployment benefits are expected to be paid in 2014.

15. OTHER DISCLOSURES

The City does not offer any Other Post Employment Benefits.

In 2014 the City:

- \* Entered into a 7 year lease/purchase of a Caterpillar motor grader for \$258,240.
- \* Approved the purchase of a loader backhoe for \$85,751.
- \* Approved a railroad design contract to Terra Tec Engineering for the City's Industrial & Rail Park for \$136,900.
- \* Awarded the Lensegrav Addition street, water, and sewer improvements to Ladner Excavating for \$866,094.
- \* Purchased a new Dodge Charger for \$25,317.
- \* Provided the Belle Fourche Development Corporation \$276,500 for economic development purposes.
- \* Approved the purchase of a street sweeper for \$170,829 in 2015.
- \* Awarded a two year IT service contract to Computer Engineering for \$74,730.
- \* Awarded the State Street and 10th Avenue water improvement project to Site Works Specialists for \$377,554.

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers Supplemental:		Final		
Receipts:						
Receipts from local sources:						
Taxes:	3,409,021			3,409,021		(3,409,021)
Ad valorem taxes					1,385,957	1,385,957
Sales and use tax					2,363,002	2,363,002
Gross receipts tax					2,020	2,020
Licenses and permits:	79,300			79,300	96,752	17,452
Intergovernmental receipts:	171,066			171,066		(171,066)
Federal grant:					394,607	394,607
State shared receipts:						
State grants		8,388		8,388	195,866	187,478
Bank franchise tax					11,333	11,333
Commercial vehicle prorata					6,662	6,662
Liquor tax reversion					29,387	29,387
Motor vehicle licenses (5%)					33,730	33,730
Highway and bridge					69,061	69,061
County shared receipts:					22,776	22,776
Charges for goods and services:	52,700			52,700		(52,700)
General government					1,365	1,365
Public safety					705	705
Public works					2,999	2,999
Cemetery					12,888	12,888
Culture and recreation	336,150			336,150	378,267	42,117
Fines and forfeits:	7,650			7,650	7,166	(484)
Miscellaneous receipts:	148,650			148,650		(148,650)
Interest received					11,647	11,647
Rentals and franchise fees					58,529	58,529
Special assessments					33,341	33,341
Donations					13,710	13,710
5% beer mark-up					53,116	53,116
Miscellaneous	690,000			690,000	17,503	(672,497)
<b>Total receipts</b>	<b>4,894,537</b>	<b>0</b>	<b>8,388</b>	<b>4,902,925</b>	<b>5,202,389</b>	<b>299,464</b>
Disbursements						
General government:						
Mayor and Council	140,050			140,050	130,249	9,801
Contingency	50,000			50,000		50,000
Amount transferred		(45,200)		(45,200)		(45,200)
Elections	2,700			2,700	75	2,625
Financial administration	207,165	5,300		212,465	186,097	26,368
Other	651,000	11,000		662,000	562,935	99,065
Public safety:						
Police	1,062,608	21,000	36,888	1,120,496	1,050,271	70,225
Fire	337,100		12,500	349,600	293,331	56,269
Protective inspection	27,080			27,080	21,496	5,584
Other protection	2,000			2,000		2,000
Public works:						
Highways and streets	816,235			816,235	562,551	253,684
Airport	43,880		75,500	119,380	113,754	5,626
Cemetery	183,100			183,100	113,539	69,561
Health and welfare:						
West Nile	16,125			16,125	12,631	3,494
Health	24,350		55,000	79,350	49,350	30,000
Culture and recreation:						
Belle Fourche Area Comm. Cente	891,246	7,000	107,100	1,005,346	922,811	82,535
Parks	314,095			314,095	167,984	146,111
Library	232,275			232,275	214,354	17,921
Bowman/Comm Halls	16,500			16,500	13,405	3,095
Museum	186,055		21,000	207,055	153,878	53,177
Conservation and development:						
Economic development	121,005	900	2,846,500	2,968,405	2,862,183	106,222
Other:	16,250		28,000	44,250	44,804	(554)
Debt service:	186,000			186,000	272,070	(86,070)
<b>Total disbursements</b>	<b>5,526,819</b>	<b>0</b>	<b>3,182,488</b>	<b>8,709,307</b>	<b>7,747,768</b>	<b>961,539</b>
Excess of receipts over (under) disbursements	(632,282)	0	(3,174,100)	(3,806,382)	(2,545,379)	1,261,003
Other financing sources (uses):						
Transfer in					590,796	590,796
Transfer (out)	(156,000)		(155,990)	(311,990)	(163,698)	148,292
Sale of assets					642	642
Compensation for property damage					3,086	3,086
<b>Net change in fund balance</b>	<b>(788,282)</b>	<b>0</b>	<b>(3,330,090)</b>	<b>(4,118,372)</b>	<b>(2,114,553)</b>	<b>2,003,819</b>
Fund balance:						
January 1, 2013	7,624,082			7,624,082	7,624,082	0
December 31, 2013	6,835,800	0	(3,330,090)	3,505,710	5,509,529	2,003,819

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:	3,121,425			3,121,425		(3,121,425)
Ad valorem taxes					1,323,103	1,323,103
Sales and use tax					1,926,448	1,926,448
Gross receipts tax					1,805	1,805
Licenses and permits:	59,200			59,200	95,789	36,589
Intergovernmental receipts:	603,366			603,366		(603,366)
Federal grant:			150,568	150,568	221,418	70,850
State shared receipts:						
Bank franchise tax					12,855	12,855
Commercial vehicle prorate					6,447	6,447
Liquor tax revision					30,383	30,383
Motor vehicle licenses (5%)					29,911	29,911
Highway and bridge					67,725	67,725
County shared receipts:					22,602	22,602
Charges for goods and services:	58,500			58,500		(58,500)
General government					1,548	1,548
Public safety					2,429	2,429
Public works					399	399
Cemetery					18,674	18,674
Culture and recreation	320,350			320,350	369,449	49,099
Fines and forfeits:	7,600			7,600	7,351	(249)
Miscellaneous receipts:	145,900			145,900		(145,900)
Interest earned					17,426	17,426
Rentals and franchise					59,586	59,586
Special assessments					34,122	34,122
Donations					5,497	5,497
5% beer mark-up					55,791	55,791
Miscellaneous	865,910			865,910	450	(865,460)
<b>Total receipts</b>	<b>5,182,251</b>	<b>0</b>	<b>150,568</b>	<b>5,332,819</b>	<b>4,311,208</b>	<b>(1,021,611)</b>
Disbursements						
General government:						
Mayor and Council	88,500			88,500	86,509	1,991
Contingency	50,000			50,000		50,000
Amount transferred		(11,700)		(11,700)		(11,700)
Elections	2,300			2,300	2,215	85
Financial administration	197,035	1,200		198,235	183,763	14,472
Other	643,264		130,042	773,306	681,397	91,909
Public safety:						
Police	1,068,855		55,968	1,124,823	1,014,896	109,927
Fire	97,900			97,900	47,614	50,286
Protective inspection	18,080			18,080	15,505	2,575
Other protection	2,000			2,000		2,000
Public works:						
Highways and streets	887,245		26,500	913,745	742,883	170,862
Airport	469,580			469,580	408,363	61,217
Cemetery	128,280		27,000	155,280	153,601	1,679
Health and welfare:						
West Nile	31,200			31,200	1,136	30,064
Health	23,500			23,500	23,500	0
Culture and recreation:						
Belle Fourche Area Comm. Cente	830,921		50,592	881,513	783,399	98,114
Parks	154,220	3,000	5,000	162,220	158,895	3,325
Library	228,595	6,000		234,595	210,103	24,492
Bowman/Comm Halls	12,900			12,900	7,357	5,543
Museum	159,670			159,670	142,679	16,991
Conservation and development:						
Economic development	137,173	1,500		138,673	183,119	(44,446)
Other:	19,000			19,000	11,850	7,150
Debt service:	183,187			183,187	269,426	(86,239)
<b>Total disbursements</b>	<b>5,433,405</b>	<b>0</b>	<b>295,102</b>	<b>5,728,507</b>	<b>5,128,210</b>	<b>600,297</b>
Excess of receipts over (under) disbursements	(251,154)	0	(144,534)	(395,688)	(817,002)	(421,314)
Other financing sources (uses):						
Transfer in					530,901	530,901
Transfer (out)	(153,175)		(155,990)	(309,165)	(178,394)	130,771
Sale of assets					3,497	3,497
Compensation for damaged property					8,336	8,336
2012 sales tax bond issue					4,500,000	4,500,000
<b>Net change in fund balance</b>	<b>(404,329)</b>	<b>0</b>	<b>(300,524)</b>	<b>(704,853)</b>	<b>4,047,338</b>	<b>4,752,191</b>
Fund balance:						
January 1, 2012	3,576,744			3,576,744	3,576,744	0
December 31, 2012	3,172,415	0	(300,524)	2,871,891	7,624,082	4,752,191

## CITY OF BELLE FOURCHE

SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2013

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	120,000		120,000	163,211	43,211
Charges for goods and services:	6,500		6,500		(6,500)
Miscellaneous receipts:	13,100		13,100		(13,100)
Interest received			0	466	466
Rentals and franchise			0	9,186	9,186
Donations			0	18,988	18,988
Other			0	255	255
Total receipts	139,600	0	139,600	192,106	52,506
Disbursements:					
Contingency	2,500		2,500		2,500
Amount transferred			0		0
Culture and recreation:					
Recreation - Roundup	91,880		91,880	84,963	6,917
Debt service:	56,500		56,500	55,370	1,130
Total disbursements	150,880	0	150,880	140,333	10,547
Excess of receipts over (under) disbursements	(11,280)	0	(11,280)	51,773	63,053
Other financing sources (uses):					
Transfer out			0	(466)	(466)
Net change in fund balance	(11,280)	0	(11,280)	51,307	62,587
Fund balance:					
January 1, 2013	260,722		260,722	260,722	0
December 31, 2013	249,442	0	249,442	312,029	62,587

## FOR THE YEAR ENDING DECEMBER 31, 2012

3RD CENT	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	115,000		115,000	138,905	23,905
Charges for goods and services:	6,500		6,500		(6,500)
Miscellaneous receipts:	10,100		10,100		(10,100)
Interest received			0	668	668
Rentals and franchise			0	8,015	8,015
Donations			0	15,450	15,450
Other			0	1,003	1,003
Total receipts	131,600	0	131,600	164,041	32,441
Disbursements:					
Contingency	2,500		2,500		2,500
Amount transferred			0		0
Culture and recreation:					
Recreation - Roundup	73,730		73,730	65,086	8,644
Debt service:	55,370	100	55,470	55,370	100
Total disbursements	131,600	100	131,700	120,456	11,244
Excess of receipts over (under) disbursements	0	(100)	(100)	43,585	43,685
Other financing sources (uses):					
Transfer (out)	(1,708)		(1,708)	(668)	1,040
Net change in fund balance	(1,708)	(100)	(1,808)	42,917	44,725
Fund balance:					
January 1, 2012	217,805		217,805	217,805	0
December 31, 2012	216,097	(100)	215,997	260,722	44,725

NOTES TO SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND AND MAJOR  
SPECIAL REVENUE FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2013

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2012 and 2013 there were supplemental budgets to increase the general fund's budget. See page 37 and 38.
- e. Formal budgetary integration is employed as a management control device for the general fund and the major special revenue fund.
- f. The budget for the general and the major special revenue fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP and Budgetary Accounting Basis Difference:

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

CITY OF BELLE FOURCHE

COMBINING BALANCE SHEET -- NON-MAJOR GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2013

	Bowman Memorial Fund	BFACC Donation Fund	Library Memorial Fund	Museum Memorial Fund	Perpetual Care Fund	Total Other Governmental Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents					66,205	66,205
Restricted assets:						
Cash and cash equivalents	0	15,671	23,813	31,438	50,000	120,922
<b>Total assets</b>	<b>0</b>	<b>15,671</b>	<b>23,813</b>	<b>31,438</b>	<b>116,205</b>	<b>187,127</b>
<b>FUND BALANCE</b>						
Nonspendable					50,000	50,000
Restricted	0	15,671	23,813	31,438		70,922
Committed						0
Assigned					66,205	66,205
Unassigned						0
<b>Total fund balances</b>	<b>0</b>	<b>15,671</b>	<b>23,813</b>	<b>31,438</b>	<b>116,205</b>	<b>187,127</b>
<b>CLOSED</b>						



CITY OF BELLE FOURCHE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Dick Bowman Memorial Fund	BFACC Donation Fund	Library Memorial Fund	Museum Memorial Fund	Perpetual Care Fund	Total Other Governmental Funds
<b>Receipts:</b>						
Receipts from local sources:	-----	-----	-----	-----	-----	-----
Intergovernmental receipts:						
Federal grants:		3,346				3,346
Charges for goods and services:						
Cemetery					5,274	5,274
Culture and recreation				4,636		4,636
Miscellaneous receipts:						
Interest received					446	446
Donations		13,610	4,267	1,432		19,309
<b>Total receipts</b>	<b>0</b>	<b>16,956</b>	<b>4,267</b>	<b>6,068</b>	<b>5,720</b>	<b>33,011</b>
<b>Disbursements:</b>						
Public works:						
Cemetery					286	286
Culture and recreation:						
Belle Fourche Area Comm. Center		11,274				11,274
Library			1,266			1,266
Museum				7,139		7,139
Other:						
Capital outlay			6,788		11,684	18,472
<b>Total disbursements</b>	<b>0</b>	<b>11,274</b>	<b>8,054</b>	<b>7,139</b>	<b>11,970</b>	<b>38,437</b>
<b>Excess of receipts over (under) disbursements</b>	<b>0</b>	<b>5,682</b>	<b>(3,787)</b>	<b>(1,071)</b>	<b>(6,250)</b>	<b>(5,426)</b>
<b>Other financing sources (uses):</b>						
Transfers (out)					(446)	(446)
<b>Net change in fund balance</b>	<b>0</b>	<b>5,682</b>	<b>(3,787)</b>	<b>(1,071)</b>	<b>(6,696)</b>	<b>(5,872)</b>
<b>Fund balance:</b>						
January 1, 2012	2,534	8,525	29,645	30,108	136,831	207,643
December 31, 2012	<u>2,534</u>	<u>14,207</u>	<u>25,858</u>	<u>29,037</u>	<u>130,135</u>	<u>201,771</u>

CITY OF BELLE FOURCHE

SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM DEBT  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

	Beginning 12-31-11	2012 Additions (Deletions)	2013 Additions (Deletions)	Governmental Ending 12-31-13	Business-Type Ending 12-31-13	Principal Due in 2014
<b>GOVERNMENTAL</b>						
2003 Sales Tax Revenue Refunding Bonds:						
Original Loan Amount of \$1,424,282.25						
Maturing on 9-1-2013						
Interest at 4.33%						
Semi-annual payments of \$91,593.50						
See also Note 5						
Paid by general fund	347,371	(169,966)	(177,405)	0		0
2006 Roundup Grounds Loan Payable:						
Original Loan Amount of \$600,000						
Maturing on 9-15-2015						
Interest at 4.48%						
Semi-annual payments of \$27,685.06						
Paid by 3rd cent fund	410,432	(37,397)	(39,086)	333,949		40,862
2006 Bank loan for TIF #1:						
Original loan: \$427,053.72						
Maturing on 12-21-2013						
Interest fixed at 7.00%						
City's liability limited to TIF #1 property tax receipts						
Payments vary with property tax receipts						
Paid by TIF #1 debt service fund	146,076	(82,535)	(63,541)	0		0
2006 Bank loan for TIF #2:						
Original loan: \$175,743						
Maturing on 10-31-2011						
Interest fixed at 6.00%						
City's liability limited to TIF #2 property tax receipts						
Payments vary with property tax receipts						
Paid by TIF #2 debt service fund	54,965	(51,595)	(3,370)	0		0
2006 Bank loan for TIF #3:						
Original loan: \$295,000						
Maturing on 6-1-2016						
Interest fixed at 5.75%						
City's liability limited to TIF #3 property tax receipts						
Payments vary with property tax receipts						
Paid by TIF #3 debt service fund	230,902	(51,589)	(59,939)	119,374		52,597
2007 Sales Tax Revenue Bonds:						
Original Loan Amount of \$2,000,000						
Maturing on 9-1-2027						
Interest from 3.60% to 4.35%						
Interest payments due March 1st						
Principal and interest payments due September 1st						
Purpose: pay for construction of a new City Hall						
Paid by a debt service fund	1,770,000	(80,000)	(85,000)	1,605,000		90,000
2012 Sales Tax Revenue Bonds:						
Original Loan Amount of \$4,500,000						
Maturing on 9-1-2032						
Interest from 0.85% to 3.20%						
Principal and interest payments due September 1st						
Purpose: pay for street, sewer and water improvements						
Paid by general fund	0	4,500,000.00	0.00	4,500,000		200,000.00
Totals	2,959,746	4,026,918	(428,341)	6,558,323		383,459
<b>BUSINESS-TYPE</b>						
1990 Clean Water State Revolving Fund Loan:						
Original loan amount of \$253,000						
Maturing on 1-1-2013						
Interest at 3.00%						
Monthly payments of \$1,403.25						
Paid by sewer fund	17,927	(16,527)	(1,400)		0	0
Totals	17,927	(16,527)	(1,400)		0	0

CITY OF BELLE FOURCHE

SUPPLEMENTAL INFORMATION (continued)  
 SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT  
 AT DECEMBER 31, 2013

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
<b>2006 Roundup Grounds Loan Payable:</b>				
2014	55,370	40,862	14,508	293,087
2015	305,739	293,087	12,652	0
	-----	-----	-----	
<b>Totals</b>	<b>361,109</b>	<b>333,949</b>	<b>27,160</b>	
	=====	=====	=====	
<b>2006 Bank Loan for TIF #3:</b>				
2014	59,609	52,597	7,012	66,777
2015	59,609	55,708	3,901	11,069
2016	11,800	11,069	731	0
	-----	-----	-----	
<b>Totals</b>	<b>131,018</b>	<b>119,374</b>	<b>11,644</b>	
	=====	=====	=====	
<b>2007 Sales Tax Revenue Bonds:</b>				
2014	156,537	90,000	66,537	1,515,000
2015	153,162	90,000	63,162	1,425,000
2016	154,698	95,000	59,698	1,330,000
2017	156,040	100,000	56,040	1,230,000
2018	152,040	100,000	52,040	1,130,000
2019-2023	770,300	575,000	195,300	555,000
2024-2027	616,770	555,000	61,770	0
	-----	-----	-----	
<b>Totals</b>	<b>2,159,547</b>	<b>1,605,000</b>	<b>554,547</b>	
	=====	=====	=====	
<b>2012 Sales Tax Revenue Bonds:</b>				
2014	306,060	200,000	106,060	4,300,000
2015	304,360	200,000	104,360	4,100,000
2016	307,360	205,000	102,360	3,895,000
2017	305,105	205,000	100,105	3,690,000
2018	307,440	210,000	97,440	3,480,000
2019-2023	1,528,550	1,100,000	428,550	2,380,000
2024-2028	1,531,665	1,245,000	286,665	1,135,000
2029-2032	1,226,620	1,135,000	91,620	0
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<b>Totals</b>	<b>5,817,160</b>	<b>4,500,000</b>	<b>1,317,160</b>	
	=====	=====	=====	

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

Governing Board  
City of Belle Fourche  
Belle Fourche, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Belle Fourche (City), Butte County, South Dakota, as of December 31, 2013 and for each year the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's modified cash basis of accounting financial statements and have issued my report thereon dated December 29, 2014 which was unmodified.

Compliance and Other Matters:

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

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings and responses as item 2013-01.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

I did note minor matters involving compliance that I reported to the governing body and management of the City of Belle Fourche in separate Letters of Comments dated December 29, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Belle Fourche's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Belle Fourche's internal control.

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

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

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2013-01 and 2013-02 to be a significant deficiency.

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

I also noted minor matters involving internal control that I reported to the governing body and management of the City of Belle Fourche in a separate Letter of Comments dated December 29, 2014.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

December 29, 2014



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:  
Not applicable to this audit.

Prior Other Audit Findings:

- 2011-01: Budget Overdrafts -- Repeated below
- 2011-02: Liquor Store Cash and Inventory -- Corrected
- 2011-03: Preparation of Financial Statements -- Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unqualified on: Governmental Activities Business-Type Activities Major Funds Aggregate Remaining Funds
Noncompliance material to financial statements identified?	NONE REPORTED
Internal control over financial reporting: * Material weakness(es) identified?	NONE REPORTED
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2013-01 and 2013-02

Part II - Findings Relating to the Financial Statements

Finding 2013-01: Budget Overdrafts  
(compliance and internal control)

Criteria:

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The City is prohibited from spending in excess of appropriated amounts at the sub-function level.

Condition:

In 2012 and 2013 the City of Belle Fourche had the following budget overdrafts:

2013: General fund/other	554
/debt service	86,070 (*)
2012: General fund/economic development	44,446
/debt service	86,239 (*)

(\*) Related to the new 2012 sales tax bond issue

Effect:

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

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

CITY OF BELLE FOURCHE  
DECEMBER 31, 2013  
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

*Recommendation:*

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

*Management Response:*

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

Finding 2013-02: Preparation of Financial Statements  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendation:*

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.