

CITY OF BERESFORD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015

**CITY OF BERESFORD
CITY OFFICIALS
DECEMBER 31, 2015**

Mayor:

K. James Fedderson

Governing Board:

Gerald Dahlin

Tom Erickson

Daniel Williams

Steve Cain

Arthur Schott

Teresa Sveeggen

Finance Officer:

Kathy Moller

City Administrator:

Jerry Zeimetz

**CITY OF BERESFORD
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government - Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Notes to the Financial Statements	29
Required Supplementary Information:	
Budgetary Basis Comparison Schedules:	
General Fund	53
Additional Sales Tax Fund	55
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	56
Schedule of the City's Contributions	57
Notes to the Required Supplementary Information	58
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of Nonmajor Governmental Funds	60
Schedule of Expenditure of Federal Awards	61
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	64
Schedule of Prior Audit Findings and Questioned Costs	66
Schedule of Current Audit Findings and Questioned Costs	67
Corrective Plan of Action	69

QUAM, BERGLIN & POST, P.C.

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

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

City Council
City of Beresford
Beresford, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Beresford, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we do not express an audit opinion on the discretely presented component unit.

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 judgment, including the assessment of the risks 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Discretely Presented Component Units

The financial statements of the Beresford Housing and Redevelopment Commission and the Beresford Economic Development Commission have not been audited, and we were not engaged to audit the Beresford Housing and Redevelopment Commission or the Beresford Economic Development Commission's financial statements as part of the City's basic financial statements. The Beresford Housing and Redevelopment Commission and the Beresford Economic Development Commission financial activities are included in the City's basic financial statements as discretely presented component units and represent the assets, net position, and revenues of the City's discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units of the City of Beresford. Accordingly, we do not express opinions on those financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Beresford, South Dakota as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in the Notes to the Financial Statements, the City of Beresford adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the City of Beresford has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Pension Schedules and the Budgetary Comparison Schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Combining Nonmajor Fund Financial Statements as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016, on our consideration of the City of Beresford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beresford's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.
Certified Public Accountants

August 22, 2016

**CITY OF BERESFORD, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

This section of City of Beresford, South Dakota financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City transferred to the General Fund a total of \$828,000 from the following enterprise funds: Electric - \$400,000; Liquor - \$10,000; Telephone - \$388,000; Solid Waste - \$30,000. The transfers were made to the General Fund to subsidize revenues and to help fund debt repayment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the City operates like businesses. The City has seven proprietary funds and one component unit – Liquor, Water, Electric, Sewer, Golf Course, Telephone, Solid Waste, and Cablevision Component Unit.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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

Major Features of City of Beresford's Government-wide and Fund Financial Statements

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

Government-wide Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

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

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

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

Fund Financial Statements

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

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

The City has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position changed between fiscal years 2013 and 2014 (See Table A-1).

TABLE A-1
CITY OF BERESFORD
STATEMENT OF NET POSITION
(Expressed in Thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total Activities	
	December 31,		December 31,		December 31,	
	2014	2015	2014	2015	2014	2015
Current and Other Assets	\$ 3,099	\$ 4,151	\$ 4,562	\$ 3,907	\$ 7,661	\$ 8,058
Capital Assets	4,361	5,554	13,269	16,360	17,630	21,914
Total Assets	7,460	9,705	17,831	20,267	25,291	29,972
Deferred Outflows of Resources:						
Pension Related Deferred Outflows		663				
Deferred Charge on Refunding	102	92	58	51	160	143
Total Deferred Outflows of Resources	102	755	58	51	160	143
Long-Term Debt Outstanding	2,575	2,251	4,163	4,671	6,738	6,922
Other Liabilities	2,004	1,922	(1,939)	(1,675)	65	247
Total Liabilities	4,579	4,173	2,224	2,996	6,803	7,169
Deferred Inflows of Resources:						
Pension Related Deferred Inflows		554				554
Net Position:						
Net Investment in Capital Assets	1,948	3,456	9,175	11,756	11,123	15,212
Restricted	1,988	2,325	186	185	2,174	2,510
Unrestricted	(953)	(47)	6,304	5,381	5,351	5,334
Total Net Position	\$ 2,983	\$ 5,734	\$ 15,665	\$ 17,322	\$ 18,648	\$ 23,056
Increase (Decrease) in Net Position	(321)	2,323	1,004	1,837	683	4,160
Beginning Net Position	3,533	2,983	14,432	15,665	17,965	18,648
Prior Period Adjustment	(229)	428	229	(180)		248
Adjusted Beginning Net Position	3,304	3,411	14,661	15,485	17,965	18,896
Ending Net Position	\$ 2,983	\$ 5,734	\$ 15,665	\$ 17,322	\$ 18,648	\$ 23,056
Percentage of Increase (Decrease) in Net Position	-9.72%	68.10%	6.85%	11.86%	3.80%	22.02%

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of compensated absences payable, sales tax revenue bonds payable, certificates of participation and electric revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City’s assets and liabilities is its net position.

The City’s net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net investment in capital assets relates to the City’s Fiber Ring Project.

The City’s restricted net position represents resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants.

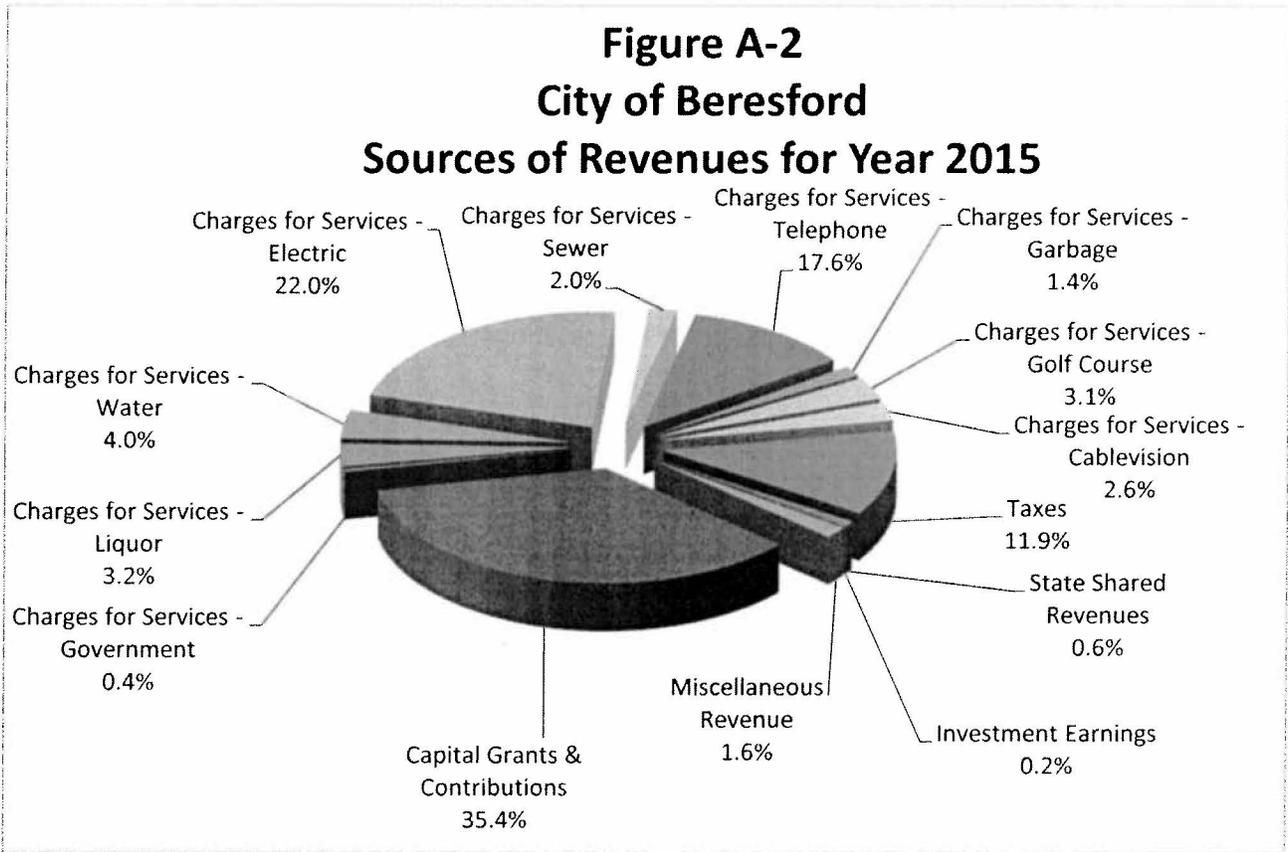
The remaining balance of net position is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in total net position for both the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The overall increase in net position is due to the capital assets completed during the year.

Changes in Net Position

The City’s revenues totaled \$10,816,264 (See Table A-2.) Well over half of the City’s revenue comes from charges for services and taxes, with over .53 cents of every dollar raised coming from charges for services (primarily electric and telephone operations) and .12 cents of every dollar raised coming from some type of tax (See Figure A-3). Most of the rest comes from state-shared revenues and interest earnings.



The City’s expenses totaled \$9,351,231 (See Figure A-2). The total cost of all programs and services have increased from the prior year. The City’s expenses cover a range of services, with 69% related to public works services (road maintenance, electric, telephone system, water, sewer, and solid waste services (See Figure A-4).

Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Total revenues for the City increased from \$1,977,000 in 2014 to \$2,931,000 in 2015 largely due to increases in taxes and grants for the year. The expenses increased from \$2,117,000 in 2014 to \$3,304,000 in 2015 due mostly to the increase in Police Dept, Fire Dept, City Attorney, Finance Office and Street Dept. functions.

Figure A-4
City of Beresford
Functional Expenses for Year 2015

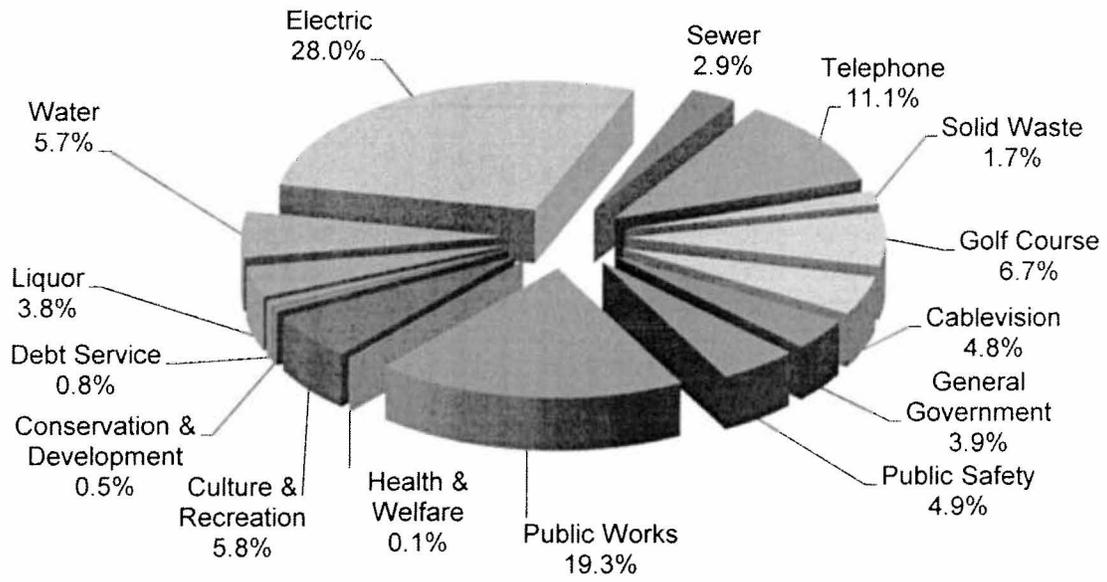


TABLE A-2
City of Beresford
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Change	
	December 31,		December 31,		December 31,	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for Services	\$ 39	\$ 56	\$ 6,677	\$ 6,976	\$ 6,716	\$ 7,032
Capital Grants and Contributions	263	1,038		3,582	263	4,620
General Revenues						
Taxes	1,443	1,553			1,443	1,553
Revenue State Sources	92	79			92	79
Unrestricted Investment Earnings	18	10	13	13	31	23
Other General Revenue	122	195		9	122	204
Transfers:	<u>(181)</u>	<u>2,696</u>	<u>181</u>	<u>(2,696)</u>		
Total Revenues and Transfers	<u>1,796</u>	<u>5,627</u>	<u>6,871</u>	<u>7,884</u>	<u>8,667</u>	<u>13,511</u>
Expenses						
General Government	358	367			358	367
Public Safety	522	460			522	460
Public Works	535	1,809			535	1,809
Health & Welfare	15	8			15	8
Culture & Recreation	568	542			568	542
Conservation & Development	34	43			34	43
Debt Service	85	75			85	75
Liquor			361	360	361	360
Water			449	532	449	532
Electric			2,643	2,614	2,643	2,614
Sewer			212	274	212	274
Telephone			1,077	1,042	1,077	1,042
Solid Waste			163	155	163	155
Golf Course			592	621	592	621
Cablevision			370	449	370	449
Total Expenses	<u>2,117</u>	<u>3,304</u>	<u>5,867</u>	<u>6,047</u>	<u>7,984</u>	<u>9,351</u>
Increase (Decrease) in Net Position	<u>(321)</u>	<u>2,323</u>	<u>1,004</u>	<u>1,837</u>	<u>683</u>	<u>4,160</u>
NET POSITION - BEGINNING	3,533	2,983	14,432	15,665	17,965	18,648
Prior Period Adjustment	<u>(229)</u>	<u>428</u>	<u>229</u>	<u>(180)</u>		<u>248</u>
ADJUSTED NET POSITION - BEGINNING	<u>3,304</u>	<u>3,411</u>	<u>14,661</u>	<u>15,485</u>	<u>17,965</u>	<u>18,896</u>
NET POSITION - ENDING	<u>\$ 2,983</u>	<u>\$ 5,734</u>	<u>\$ 15,665</u>	<u>\$ 17,322</u>	<u>\$ 18,648</u>	<u>\$ 23,056</u>

Business-type Activities

Revenues of the City's business-type activities increased from \$6,514,000 in 2014 to \$10,580,000 in 2015 and expenses increased from \$5,867,000 in 2014 to \$6,047,000 in 2015 for all business-type activities. The factors contributing to these results included:

- Sanitary Sewer/Drinking Water Project & FEMA Project.
- Business-type enterprise funds transferred \$828,000 to the general fund to subsidize the operation of that fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analyses of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains seven governmental funds (six major and one non-major) - General, Additional Sales Tax, Tax Increment Debt Service, Library, Community Center-Clubhouse Debt Service.. The City maintains eight business type funds – Liquor, Water, Electric, Sewer, Telephone, Solid Waste, Golf Course and Cablevision Funds. The Cablevision Fund is a component unit along with being a major fund.

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted Resolution 2015-14 Contingency Fund Transfers. This resolution authorized transferring funds for Swimming Pool.

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes during the year.

CAPITAL ASSET ADMINISTRATION

By the end of 2014, the City had invested \$558,582 in land and \$4,995,585 of governmental funds, net of depreciation, in a broad range of capital assets, including, buildings, construction in progress, various machinery and equipment. The City also had invested \$443,835 in land and \$14,329,281 of business-type activities, net of depreciation, which include buildings, machinery and equipment. (See Note 8 in the Notes to the Financial Statements for the actual break down of capital assets.) This amount represents a net increase (including additions and deductions) of \$4,500,028 or 28.3% (net of depreciation), over the last year.

Table A-3
City of Beresford- Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-Type Activities		
	FY2014	FY2015	Increase/ (Decrease)	FY2014	FY2015	Increase/ (Decrease)
Land	\$ 550,082	\$ 558,582	\$ 8,500	\$ 443,835	\$ 443,835	\$
Construction Work in Progress	44,038		(44,038)	65,175		(65,175)
Buildings	743,945	2,023,393	1,279,448	1,674,078	1,620,987	(53,091)
Improvements other than Building	2,225,999	2,114,073	(111,926)	7,873,879	11,263,711	3,389,832
Machinery and Equipment	546,492	606,126	59,634	1,409,509	1,444,583	35,074
Library Books	250,223	251,993	1,770			
Total Capital Assets	\$ 4,360,779	\$ 5,554,167	\$ 1,193,388	\$ 11,466,476	\$ 14,773,116	\$ 3,306,640

This year's major capital asset additions and deletions included:

- Submersible Pump/Wells

- Transmission for Freightliner
- 2015 Dodge Ram 1500 Pickup
- John Deere Backhoe/Loader
- JD Mower & Rear Discharge Deck
- Water/Sanitary Sewer Improvements
- FEMA Saferoom/Bathhouse
- 2015 Ford F250 Super Duty V8
- Elbow Switchgear
- Storm Drainage Project
- Street Light Project
- Transformers for Simplot, Bertz & Dakota Metals
- FRRPA Trans. Equipment
- GenBank Softswitch Innovsurance APMAX

LONG-TERM DEBT

At the year-end the City had \$6,923,599 in State Revolving Loans, General Obligation Bonds, Certificates of Participation and other long-term obligations. This is an increase of 2.75% which is due to the drawdowns on state revolving funds made by the City.

Table A-4
City of Beresford
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Dollar Change	Total % Change
	2014	2015	2014	2015		
Compensated Absences	\$ 60,033	\$ 61,266	\$ 126,866	\$ 118,857	\$ (6,776)	-3.63%
Certificates of Participation	2,385,000	2,190,000	1,420,000	1,275,000	(340,000)	-8.94%
General Obligation	130,000		1,375,000	1,270,000	(235,000)	-15.61%
State Revolving Loan Funds			1,241,532	2,008,476	766,944	61.77%
Total Outstanding Debt and Obligations	\$ 2,575,033	\$ 2,251,266	\$ 4,163,398	\$ 4,672,333	\$ 185,168	2.75%

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

The City has outstanding \$1,125,000 in Certificates of Participation, Series 2013A refunded. These certificates are secured and paid from the Special Revenue Fund. They were purchased to finance the Bridges Golf Course Project.

The City has outstanding \$2,008,476. in Drinking Water and Clean Water State Revolving Loan Funds. This agreement is secured and paid from the Water and Sewer Funds. This agreement finances the Water and Sanitary Sewer Improvement Projects.

The City has outstanding \$1,275,000 in Certificates of Participation, Series 2013B Refunded. These certificates are secured and paid from the Electric Fund. They were used to purchase and finance the sub-station project.

The City has outstanding \$1,065,000 in Certificates of Participation, Series 2013 Refunded. These certificates are secured and paid from the Community Center – Clubhouse Debt Service Funds. They were used to purchase and finance the Bridges at Beresford Community Center – Clubhouse project.

The City has outstanding \$1,270,000 in General Obligation Bonds, Series 2013 GO for the City's share of the Lewis and Clark Rural Water System construction cost. The payments will be made from the Water Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's current economic position has shown little change. The City did experience an increase in total property valuation from the prior year. The increase in property valuation allows the City the ability to increase the amount of revenue generated from property taxes, however the City Council has chosen not to increase the base amount it levies for taxes. Under the state mandated property tax limitation, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI), whichever is lower. One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax).

The City's adopted General Fund budget for the next fiscal year will decrease by 4.2%. The City employees' wages will increase by 4%.

The City's business-type activities (liquor, water, electric, sewer, golf, telephone and solid waste operations) expect that the results for 2016 will improve based on the past rate increases implemented to cover increasing cost of wages, costs of operation and debt repayment.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Beresford's Finance Office, 101 N. 3rd Street, Beresford, SD 57004-1796.

**CITY OF BERESFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development
ASSETS:					
Cash and Cash Equivalents	\$ 1,630,795.79	\$ 1,065,448.39	\$ 2,696,244.18	\$ 181,509.83	\$ 217,621.71
Investments		1,212,331.17	1,212,331.17		
Taxes Receivable	15,832.35		15,832.35		
Accounts Receivable, Net	554.34	498,682.32	499,236.66		
Notes Receivable	1,101,257.00		1,101,257.00		
Due from Other Governments	667,951.14		667,951.14	13,740.00	
Inventories	37,809.22	757,853.73	795,662.95	129,500.00	2,560,765.00
Prepaid Expenses	31,670.60	57,045.40	88,716.00		
Net Pension Asset	375,464.06		375,464.06		
Restricted Assets:					
Cash and Cash Equivalents				745.00	
Investments	289,667.31	274,186.60	563,853.91		
Deposits		41,295.68	41,295.68		
Capital Assets:					
Land and Construction Work in Progress	558,581.90	443,834.68	1,002,416.58		
Other Capital Assets, Net of Depreciation	4,995,585.42	14,329,281.19	19,324,866.61		
Other Assets - Lewis & Clark		1,586,793.12	1,586,793.12		
TOTAL ASSETS	<u>9,705,169.13</u>	<u>20,266,752.28</u>	<u>29,971,921.41</u>	<u>325,494.83</u>	<u>2,778,386.71</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charge on Refunding	92,167.85	50,909.08	143,076.93		
Pension Related Deferred Outflows	663,726.90		663,726.90		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>755,894.75</u>	<u>50,909.08</u>	<u>806,803.83</u>		
LIABILITIES :					
Accounts Payable		9,053.67	9,053.67		
Contracts Payable	161,657.22		161,657.22		
Contracts Payable - Retainage	6,500.00		6,500.00		
Internal Balances	1,753,178.93	(1,753,178.93)			
Sales Taxes Payable		25,963.54	25,963.54		
Customer Deposits		41,475.00	41,475.00	745.00	
Noncurrent Liabilities:					
Due Within One Year	234,012.70	416,285.91	650,298.61		356,393.47
Due in More than One Year	2,017,253.18	4,256,046.97	6,273,300.15		1,234,504.84
TOTAL LIABILITIES	<u>4,172,602.03</u>	<u>2,995,646.16</u>	<u>7,168,248.19</u>	<u>745.00</u>	<u>1,590,898.31</u>

**CITY OF BERESFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development
DEFERRED INFLOWS OF RESOURCES:					
Pension Related Deferred Inflows	554,004.40		554,004.40		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>554,004.40</u>		<u>554,004.40</u>		
NET POSITION:					
Net Investment in Capital Assets	3,456,335.17	11,755,523.70	15,211,858.87	129,500.00	
Restricted for:					
Capital Improvements	1,498,819.95		1,498,819.95		
Library	25,363.98		25,363.98		
Debt Service	315,403.74	185,500.00	500,903.74		
SDRS Pension Purposes	485,186.56		485,186.56		
Unrestricted (Deficit)	<u>(46,651.95)</u>	<u>5,380,991.50</u>	<u>5,334,339.55</u>	<u>195,249.83</u>	<u>1,187,488.40</u>
TOTAL NET POSITION	<u>\$ 5,734,457.45</u>	<u>\$ 17,322,015.20</u>	<u>\$ 23,056,472.65</u>	<u>\$ 324,749.83</u>	<u>\$ 1,187,488.40</u>

CITY OF BERESFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Unaudited Component Units	
				Governmental Activities	Primary Government		Housing & Redevelopment	Economic Development
					Business-Type Activities	Total		
Primary Government:								
Governmental Activities:								
General Government	\$ 367,429.41	\$	\$ 1,037,816.03	\$ 670,386.62	\$	\$ 670,386.62		
Public Safety	459,537.36	4,351.38		(455,185.98)		(455,185.98)		
Public Works	1,808,569.57	9,491.76		(1,799,077.81)		(1,799,077.81)		
Health and Welfare	7,950.80			(7,950.80)		(7,950.80)		
Culture and Recreation	542,407.32	10,764.50		(531,642.82)		(531,642.82)		
Conservation and Development	42,996.89			(42,996.89)		(42,996.89)		
Miscellaneous		31,740.86		31,740.86		31,740.86		
*Interest on Long-term Debt	74,918.18			(74,918.18)		(74,918.18)		
Total Governmental Activities	<u>3,303,809.53</u>	<u>56,348.50</u>	<u>1,037,816.03</u>	<u>(2,209,645.00)</u>		<u>(2,209,645.00)</u>		
Business-type Activities:								
Liquor	359,845.43	382,663.51			22,818.08	22,818.08		
Water	532,378.67	593,536.07	1,790,835.07		1,851,992.47	1,851,992.47		
Electric	2,613,475.25	3,098,069.45			484,594.20	484,594.20		
Sewer	274,460.27	309,676.05	1,790,835.06		1,826,050.84	1,826,050.84		
Telephone	1,041,718.23	1,480,727.41			439,009.18	439,009.18		
Garbage	155,200.70	188,285.11			33,084.41	33,084.41		
Golf Course	621,141.68	479,802.92			(141,338.76)	(141,338.76)		
Cablevision	449,201.39	443,271.44			(5,929.95)	(5,929.95)		
Total Business-type Activities	<u>6,047,421.62</u>	<u>6,976,031.96</u>	<u>3,581,670.13</u>		<u>4,510,280.47</u>	<u>4,510,280.47</u>		
Total Primary Government	<u>9,351,231.15</u>	<u>7,032,380.46</u>	<u>4,619,486.16</u>	<u>(2,209,645.00)</u>	<u>4,510,280.47</u>	<u>2,300,635.47</u>		
Component Unit:								
Housing and Redevelopment	<u>77,882.01</u>	<u>148,655.74</u>					<u>\$ 70,773.73</u>	
Economic Development	<u>593,133.94</u>	<u>14,254.00</u>						<u>\$ (578,879.94)</u>

* The City does not have interest expense related to the functions above. This amount includes indirect interest expense on general long-term debt.

Total Primary Government	(2,209,645.00)	4,510,280.47	2,300,635.47		
Total Component Units				70,773.73	(578,879.94)
General Revenues:					
Taxes:					
Property Taxes	617,575.77		617,575.77		
Sales Taxes	881,219.60		881,219.60		
Utility Taxes	54,780.09		54,780.09		
State Shared Revenues	78,833.65		78,833.65		
Unrestricted Investment Earnings	9,819.43	12,800.68	22,620.11	62.95	227.22
Miscellaneous Revenue	194,972.54	10,492.67	205,465.21	576,126.17	73,636.00
Transfers:	<u>2,696,096.85</u>	<u>(2,696,096.85)</u>			
Total General Revenues and Transfers	<u>4,533,297.93</u>	<u>(2,672,803.50)</u>	<u>1,860,494.43</u>	<u>576,189.12</u>	<u>73,863.22</u>
Change in Net Position	2,323,652.93	1,837,476.97	4,161,129.90	646,962.85	(505,016.72)
Net Position-Beginning	\$2,982,958.95	\$15,664,855.63	18,647,814.58	(322,213.02)	1,692,505.12
Prior Period Adjustment	<u>427,845.57</u>	<u>(180,317.40)</u>	<u>247,528.17</u>		
Adjusted Net Position-Beginning	<u>3,410,804.52</u>	<u>15,484,538.23</u>	<u>18,895,342.75</u>	<u>(322,213.02)</u>	<u>1,692,505.12</u>
NET POSITION - ENDING	<u>\$ 5,734,457.45</u>	<u>\$ 17,322,015.20</u>	<u>\$ 23,056,472.65</u>	<u>\$ 324,749.83</u>	<u>\$ 1,187,488.40</u>

**CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Major Funds					Nonmajor	
	General Fund	Additional Sales Tax Fund	Community Center & Clubhouse Debt Service Fund	Sanitary Sewer Improvement Project	FEMA Saferoom/Bathhouse Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 120,806.07	\$ 1,457,222.50	\$	\$	\$	\$ 52,767.22	\$ 1,630,795.79
Taxes Receivable--Delinquent	15,832.35						15,832.35
Accounts Receivable	554.34						554.34
Note Receivable-Component Unit	1,101,257.00						1,101,257.00
Due from Other Governments	51,056.56	40,315.58			576,579.00		667,951.14
Inventory of Supplies	37,809.22						37,809.22
Prepaid Expenses	31,670.60						31,670.60
Restricted Investments		164,281.87	125,385.44				289,667.31
TOTAL ASSETS	<u>1,358,986.14</u>	<u>1,661,819.95</u>	<u>125,385.44</u>	<u></u>	<u>576,579.00</u>	<u>52,767.22</u>	<u>3,775,537.75</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Contracts Payable				132,258.22	29,399.00		161,657.22
Contracts Payable--Retained Percentage					6,500.00		6,500.00
Due to Other Funds			84,652.23	483,839.26	1,184,687.44		1,753,178.93
Total Liabilities			<u>84,652.23</u>	<u>616,097.48</u>	<u>1,220,586.44</u>		<u>1,921,336.15</u>
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	15,832.35						15,832.35
Total Deferred Inflows of Resources	<u>15,832.35</u>						<u>15,832.35</u>
Fund Balances:							
Nonspendable:							
Inventory	37,809.22						37,809.22
Prepaid Expense	31,670.60						31,670.60
Long-Term Note Receivable	1,101,257.00						1,101,257.00
Restricted:							
Debt Service		163,000.00	125,000.50			27,403.24	315,403.74
Library						25,363.98	25,363.98
Committed:							
Capital Improvement Additions		1,498,819.95					1,498,819.95
Unassigned	172,416.97		(84,267.29)	(616,097.48)	(644,007.44)		(1,171,955.24)
Total Fund Balances	<u>1,343,153.79</u>	<u>1,661,819.95</u>	<u>40,733.21</u>	<u>(616,097.48)</u>	<u>(644,007.44)</u>	<u>52,767.22</u>	<u>1,838,369.25</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,358,986.14</u>	<u>\$ 1,661,819.95</u>	<u>\$ 125,385.44</u>	<u>\$</u>	<u>\$ 576,579.00</u>	<u>\$ 52,767.22</u>	<u>\$ 3,775,537.75</u>

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

**CITY OF BERESFORD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds		\$ 1,838,369.25
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,554,167.32
Long-term liabilities, including bonds, notes and financing leases payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Leave	\$ (61,265.88)	
Certificates of Participation	<u>(2,190,000.00)</u>	(2,251,265.88)
Unamortized balance of gains and losses on refunded debt are not due and payable in the current period and; therefore, are not reported in the funds.		92,167.85
Assets such as taxes receivable (delinquent) and special assessments receivable (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.		15,832.35
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		375,464.06
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		663,726.90
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.		<u>(554,004.40)</u>
Net Position- Governmental Funds		<u>\$ 5,734,457.45</u>

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

CITY OF BERESFORD
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds					Nonmajor	Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Community Center & Clubhouse Debt Service Fund	Sanitary Sewer Improvement Project	FEMA Saferoom/ Bathhouse Capital Project Fund	Other Governmental Funds	
Revenues:							
Taxes:							
General Property Taxes	\$ 524,570.80		\$	\$	\$	\$ 88,811.68	\$ 613,382.48
General Sales and Use Taxes	440,699.11	440,520.49					881,219.60
Utility Business Taxes	54,780.09						54,780.09
Amusement Taxes	228.00						228.00
Penalties and Interest on Delinquent Taxes	3,965.29						3,965.29
Licenses and Permits	31,740.86						31,740.86
Intergovernmental Revenue:							
Federal Grants					724,000.00		724,000.00
Local Law Enforcement Block Grant	2,800.00						2,800.00
State Grants				311,016.03			311,016.03
State Shared Revenue:							
Bank Franchise Tax	4,308.93						4,308.93
Liquor Tax Reversion	10,586.70						10,586.70
Motor Vehicle Licenses	27,893.58						27,893.58
Local Government Highway and Bridge Fund	29,177.14						29,177.14
Other	6,867.30						6,867.30
County Shared Revenue:							
County HBR Tax (25%)	1,180.40						1,180.40
County Wheel Tax	7,902.94						7,902.94
Charges for Goods and Services:							
Public Safety	4,217.09						4,217.09
Highways and Streets	9,491.76						9,491.76
Culture and Recreation	10,764.50						10,764.50
Fines and Forfeits:							
Court Fines and Costs	134.29						134.29

Miscellaneous Revenue:							
Investment Earnings	5,376.76	4,033.01	385.44			24.22	9,819.43
Rentals	61,040.25						61,040.25
Contributions & Donations						5,990.60	5,990.60
Other	36,720.99					9,539.65	46,260.64
Total Revenue	<u>1,274,446.78</u>	<u>444,553.50</u>	<u>385.44</u>	<u>311,016.03</u>	<u>724,000.00</u>	<u>104,366.15</u>	<u>2,858,767.90</u>

Expenditures:

General Government:

Legislative	34,630.45						34,630.45
Executive	128,436.77						128,436.77
Financial Administration	161,300.77						161,300.77
Other	25,536.22						25,536.22
Total General Government	<u>349,904.21</u>						<u>349,904.21</u>

Public Safety:

Police	342,529.11						342,529.11
Fire	29,010.34						29,010.34
Other Protection				3,000.00			3,000.00
Total Public Safety	<u>371,539.45</u>			<u>3,000.00</u>			<u>374,539.45</u>

Public Works:

Highways and Streets	442,139.38			1,216,351.67			1,658,491.05
Total Public Works	<u>442,139.38</u>			<u>1,216,351.67</u>			<u>1,658,491.05</u>

Health and Welfare:

Health	7,950.80						7,950.80
Total Health and Welfare	<u>7,950.80</u>						<u>7,950.80</u>

Culture and Recreation:

Recreation	72,392.00						72,392.00
Parks	121,614.31						121,614.31
Community Subsidies	61,550.00						61,550.00
Libraries	184,609.24					8,006.42	192,615.66
Total Culture and Recreation	<u>440,165.55</u>					<u>8,006.42</u>	<u>448,171.97</u>

CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds					Nonmajor	
	General Fund	Additional Sales Tax Fund	Community Center & Clubhouse Debt Service Fund	Sanitary Sewer Improvement Project	FEMA Saferoom/ Bathhouse Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	42,996.89						42,996.89
Total Conservation and Development	42,996.89						42,996.89
Debt Service		165,630.99	84,652.23			139,600.00	389,883.22
Capital Outlay	218,438.46				1,323,969.42		1,542,407.88
Total Expenditures	1,873,134.74	165,630.99	84,652.23	1,219,351.67	1,323,969.42	147,606.42	4,814,345.47
Excess of Revenue Over (Under) Expenditures	(598,687.96)	278,922.51	(84,266.79)	(908,335.64)	(599,969.42)	(43,240.27)	(1,955,577.57)
Other Financing Sources (Uses):							
Transfers In	1,903,541.88		384,320.77	792,554.97			3,080,417.62
Sales of Municipal Property	17,259.51						17,259.51
Compensation for Loss or Damage to Capital Asset	1,413.20						1,413.20
Transfers (Out)		(384,320.77)					(384,320.77)
Total Other Financing Sources (Uses)	1,922,214.59	(384,320.77)	384,320.77	792,554.97			2,714,769.56
Net Change in Fund Balances	1,323,526.63	(105,398.26)	300,053.98	(115,780.67)	(599,969.42)	(43,240.27)	759,191.99
Fund Balance - Beginning	19,627.16	1,767,218.21	(259,320.77)	(500,316.81)	(44,038.02)	96,007.49	1,079,177.26
FUND BALANCE - ENDING	\$ 1,343,153.79	\$ 1,661,819.95	\$ 40,733.21	\$ (616,097.48)	\$ (644,007.44)	\$ 52,767.22	\$ 1,838,369.25

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

**CITY OF BERESFORD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 759,191.99

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

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation expense in the
current period. 1,193,388.06

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Position. 325,000.00

Governmental funds report the effect of gains and losses when debt is
refunded, whereas these amounts are deferred and amortized in the
statement of activities. This is the amount amortized in the current
period. (10,034.96)

Governmental funds do not reflect the change in accrued leave, but the
Statement of Activities reflects the change in accrued leave through
expenditures. (1,233.15)

Changes in the pension related deferred outflows/inflows are direct
components of pension liability(asset) and are not reflected in the
governmental funds. 57,340.99

Change in Net Position of Governmental Activities \$ 2,323,652.93

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

CITY OF BERESFORD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Enterprise Funds								
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision	Golf Course	Totals
ASSETS:									
Current Assets:									
Cash and Cash Equivalents	\$ 87,504.84	\$ 226,497.61	\$ 45,529.66	\$ 522,089.08	\$ 42,823.91	\$ 101,859.08	\$ 39,144.21	\$	\$ 1,065,448.39
Accounts Receivable, Net	602.75	46,921.78	289,324.49	31,723.95	96,764.60	18,826.80	14,517.95		498,682.32
Due from Other Funds			568,491.49	66,469.93	1,184,687.44				1,819,648.86
Inventory of Supplies		43,292.77	617,336.35	13,460.97	23,691.99		14,486.10		712,268.18
Inventory of Stores Purchased for Resale	31,015.30				368.43			14,201.82	45,585.55
Prepaid Expenses	5,595.11	6,408.26	15,401.13	2,286.13	17,463.58	862.50		9,028.69	57,045.40
Investments	98,845.49	85,666.11			1,027,819.57				1,212,331.17
Total Current Assets	<u>223,563.49</u>	<u>408,786.53</u>	<u>1,536,083.12</u>	<u>636,030.06</u>	<u>2,393,619.52</u>	<u>121,548.38</u>	<u>68,148.26</u>	<u>23,230.51</u>	<u>5,411,009.87</u>
Noncurrent Assets:									
Restricted Investments			184,696.60						184,696.60
Joint Venture Investment					89,490.00				89,490.00
Deposits			25,988.09		15,307.59				41,295.68
Capital Assets:									
Land	18,200.00	4,886.00	22,249.94	19,000.00	15,300.00	62,930.82		301,267.92	443,834.68
Buildings	147,249.55	1,069,484.25	218,654.18		322,853.54	65,344.70		1,522,624.34	3,346,210.56
Improvements Other Than Buildings		4,088,683.42	6,096,103.59	4,661,940.82		51,194.78	585,265.85	1,743,568.50	17,226,756.96
Machinery and Equipment	35,963.89	62,464.76	874,404.06	124,792.17	4,993,158.15	27,729.72	328,486.34	145,409.36	6,592,408.45
Less: Accumulated Depreciation	(167,551.19)	(1,946,990.67)	(3,890,774.77)	(1,053,769.19)	(4,185,539.70)	(78,735.38)	(798,516.17)	(714,217.71)	(12,836,094.78)
Intangible Assets		1,586,793.12							1,586,793.12
Total Noncurrent Assets	<u>33,862.25</u>	<u>4,865,320.88</u>	<u>3,531,321.69</u>	<u>3,751,963.80</u>	<u>1,250,569.58</u>	<u>128,464.64</u>	<u>115,236.02</u>	<u>2,998,652.41</u>	<u>16,675,391.27</u>
TOTAL ASSETS	<u>257,425.74</u>	<u>5,274,107.41</u>	<u>5,067,404.81</u>	<u>4,387,993.86</u>	<u>3,644,189.10</u>	<u>250,013.02</u>	<u>183,384.28</u>	<u>3,021,882.92</u>	<u>22,086,401.14</u>
DEFERRED OUTFLOWS OF RESOURCES:									
Deferred Charge on Refunding			50,909.08						50,909.08

LIABILITIES:

Current Liabilities:

Accounts Payable	1,509.36				7,544.31				9,053.67
Accrued Taxes Payable	2,321.77		16,187.02		3,786.02	798.33	2,090.31	780.09	25,963.54
Due to Other Funds								66,469.93	66,469.93
Customer Deposits			26,015.00		15,460.00				41,475.00
Bonds Payable Current		121,280.87	150,000.00	26,148.37					297,429.24
Accrued Leave Payable - Current	6,846.42	9,903.02	26,032.43	9,349.64	48,530.03			18,195.13	118,856.67
Total Current Liabilities	<u>10,677.55</u>	<u>131,183.89</u>	<u>218,234.45</u>	<u>35,498.01</u>	<u>75,320.36</u>	<u>798.33</u>	<u>2,090.31</u>	<u>85,445.15</u>	<u>559,248.05</u>

Noncurrent Liabilities:

Bonds Payable		1,900,806.01	1,125,000.00	1,230,240.96					4,256,046.97
Total Noncurrent Liabilities		<u>1,900,806.01</u>	<u>1,125,000.00</u>	<u>1,230,240.96</u>					<u>4,256,046.97</u>
Total Liabilities	<u>10,677.55</u>	<u>2,031,989.90</u>	<u>1,343,234.45</u>	<u>1,265,738.97</u>	<u>75,320.36</u>	<u>798.33</u>	<u>2,090.31</u>	<u>85,445.15</u>	<u>4,815,295.02</u>

NET POSITION:

Net Investment in Capital Assets	33,862.25	2,843,234.00	1,994,727.92	2,495,574.47	1,145,771.99	128,464.64	115,236.02	2,998,652.41	11,755,523.70
Restricted for:									
Revenue Bond for Debt Service			185,500.00						185,500.00
Unrestricted Net Position	212,885.94	398,883.51	1,594,851.52	626,680.42	2,423,096.75	120,750.05	66,057.95	(62,214.64)	5,380,991.50
Total Net Position	<u>\$ 246,748.19</u>	<u>\$ 3,242,117.51</u>	<u>\$ 3,775,079.44</u>	<u>\$ 3,122,254.89</u>	<u>\$ 3,568,868.74</u>	<u>\$ 249,214.69</u>	<u>\$ 181,293.97</u>	<u>\$ 2,936,437.77</u>	<u>\$ 17,322,015.20</u>

25

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

CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds							Totals	
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision		Golf Course
Operating Revenue:									
Charges for Goods and Services	\$ 368,148.59	\$	\$	\$	\$ 1,459,727.41	\$ 188,285.11	\$ 420,938.81	\$ 466,309.47	\$ 2,903,409.39
Charges for Goods and Services (Revenue Securing Debt Issues)		585,465.67	3,098,035.03	309,676.05					3,993,176.75
Miscellaneous	14,514.92	8,070.40			21,000.00		22,332.63	13,493.45	79,411.40
Total Operating Revenue	382,663.51	593,536.07	3,098,035.03	309,676.05	1,480,727.41	188,285.11	443,271.44	479,802.92	6,975,997.54
Operating Expenses:									
Personal Services	91,857.94	125,195.22	425,757.60	96,459.14	516,809.68	17,130.12	408,701.15	227,080.57	1,908,991.42
Other Current Expense	63,264.53	215,191.81	171,758.75	47,157.25	274,004.02	9,239.30	6,939.60	152,992.90	940,548.16
Materials (Cost of Goods Sold)	202,665.38	32,272.53	1,788,112.84	8,228.53	90,577.98	125,395.55	18,046.81	166,875.85	2,432,175.47
Amortization		36,063.48	7,272.73						43,336.21
Depreciation	2,057.58	79,333.86	188,182.61	97,267.49	160,326.55	3,435.73	15,513.83	74,192.36	620,310.01
Total Operating Expenses	359,845.43	488,056.90	2,581,084.53	249,112.41	1,041,718.23	155,200.70	449,201.39	621,141.68	5,945,361.27
Operating Income (Loss)	22,818.08	105,479.17	516,950.50	60,563.64	439,009.18	33,084.41	(5,929.95)	(141,338.76)	1,030,636.27
Nonoperating Revenue (Expense):									
Investment Earnings	863.62	561.96	21.40	3.13	11,361.67	3.13	20.19		12,835.10
Interest Expense & Fiscal Charges		(44,321.77)	(32,390.72)	(25,347.86)					(102,060.35)
Total Nonoperating Revenue (Expense)	863.62	(43,759.81)	(32,369.32)	(25,344.73)	11,361.67	3.13	20.19		(89,225.25)
Income (Loss) Before Transfers and Contributions	23,681.70	61,719.36	484,581.18	35,218.91	450,370.85	33,087.54	(5,909.76)	(141,338.76)	941,411.02
Compensation for Loss or Damage to Capital Assets		10,492.67							10,492.67
Capital Donations		1,790,835.07		1,790,835.06					3,581,670.13
Transfers In								518,680.14	518,680.14
Transfers (Out)	(10,000.00)	(306,079.97)	(400,000.00)	(486,475.00)	(1,982,222.02)	(30,000.00)			(3,214,776.99)
Change in Net Position	13,681.70	1,556,967.13	84,581.18	1,339,578.97	(1,531,851.17)	3,087.54	(5,909.76)	377,341.38	1,837,476.97
Net Position - Beginning	233,066.49	1,865,467.78	3,690,498.26	1,782,675.92	5,100,719.91	246,127.15	187,203.73	2,559,096.39	15,664,855.63
Prior Period Adjustment		(180,317.40)							(180,317.40)
Adjusted Net Position - Beginning	233,066.49	1,685,150.38	3,690,498.26	1,782,675.92	5,100,719.91	246,127.15	187,203.73	2,559,096.39	15,484,538.23
NET POSITION - ENDING	\$ 246,748.19	\$ 3,242,117.51	\$ 3,775,079.44	\$ 3,122,254.89	\$ 3,568,868.74	\$ 249,214.69	\$ 181,293.97	\$ 2,936,437.77	\$ 17,322,015.20

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

THIS PAGE DELIBERATELY BLANK

CITY OF BERESFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds								
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision	Golf Course Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash Receipts from Customers	\$ 367,545.84	\$ 569,882.59	\$ 3,007,931.33	\$ 301,505.00	\$ 1,460,930.77	\$ 184,700.35	\$ 410,632.27	\$ 466,309.47	\$ 6,769,437.62
Internal Activity-Receipts from Other Funds		14,705.39	93,300.39	7,117.44	33,591.58	3,354.00			152,068.80
Cash Payments to Employees for Services	(91,610.50)	(127,641.70)	(428,308.14)	(94,909.59)	(520,895.63)	(17,130.12)	(408,701.15)	(227,804.10)	(1,917,000.93)
Cash Payments to Suppliers of Goods and Services	(260,071.53)	(234,918.99)	(2,014,838.23)	(53,067.50)	(336,307.36)	(132,929.82)	(24,986.41)	(312,479.87)	(3,369,599.71)
Cash Payments for Interfund Services	(7,908.38)	(12,545.35)	(6,985.84)	(2,318.28)	(20,730.33)	(1,705.03)		(7,388.88)	(59,582.09)
Other Cash Receipts	14,514.92	8,070.40			21,000.00		22,332.63	13,493.45	79,411.40
Net Cash Provided (Used) by Operating Activities	<u>22,470.35</u>	<u>217,552.34</u>	<u>651,099.51</u>	<u>158,327.07</u>	<u>637,589.03</u>	<u>36,289.38</u>	<u>(722.66)</u>	<u>(67,869.93)</u>	<u>1,654,735.09</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Interfund Loans			(568,491.49)	(66,469.93)	(1,184,687.44)			66,469.93	(1,753,178.93)
Operating Transfers In					928,675.60				928,675.60
Operating Transfers Out	(10,000.00)	(306,079.97)	(400,000.00)	(486,475.00)	(388,000.00)	(30,000.00)			(1,620,554.97)
Net Cash (Used) by Noncapital Financing Activities	<u>(10,000.00)</u>	<u>(306,079.97)</u>	<u>(968,491.49)</u>	<u>(552,944.93)</u>	<u>(644,011.84)</u>	<u>(30,000.00)</u>		<u>66,469.93</u>	<u>(2,445,058.30)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Purchase of Capital Assets		(12,242.78)	(63,322.00)	(22,737.33)	(246,978.00)				(345,280.11)
Principal Paid on Capital Debt		(425,662.27)	(145,000.00)	(15,964.61)					(586,626.88)
Proceeds of Long Term Debt Issued		617,096.00		486,475.00					1,103,571.00
Interest Paid on Capital Debt		(44,321.77)	(32,390.72)	(25,347.86)					(102,060.35)
Net Cash (Used) by Capital and Related Financing Activities		<u>134,869.18</u>	<u>(240,712.72)</u>	<u>422,425.20</u>	<u>(246,978.00)</u>				<u>69,603.66</u>
CASH FLOWS FROM INVESTING ACTIVITIES:									
Proceeds from Sales and Maturities of Investments, including insurance proceeds		10,492.67							10,492.67
Change in Investments	(641.18)	(555.68)	803.40		(11,243.83)				(11,637.29)
Interest Earnings	863.62	561.96	21.40	3.13	11,361.67	3.13	20.19		12,835.10
Net Cash Provided by Investing Activities	<u>222.44</u>	<u>10,498.95</u>	<u>824.80</u>	<u>3.13</u>	<u>117.84</u>	<u>3.13</u>	<u>20.19</u>		<u>11,690.48</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 12,692.79</u>	<u>\$ 56,840.50</u>	<u>\$ (557,279.90)</u>	<u>\$ 27,810.47</u>	<u>\$ (253,282.97)</u>	<u>\$ 6,292.51</u>	<u>\$ (702.47)</u>	<u>\$ (1,400.00)</u>	<u>\$ (709,029.07)</u>
	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ -</u>	<u>\$ 0.00</u>	<u>\$ -</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ -</u>

Cash and Cash Equivalents at Beginning of Year	\$ 173,016.36	\$ 254,767.54	\$ 628,797.65	\$ 494,278.61	\$ 311,414.47	\$ 95,566.57	\$ 39,846.68	\$ 1,400.00	\$ 1,999,087.88
Cash and Cash Equivalents at End of Year	<u>185,709.15</u>	<u>311,608.04</u>	<u>71,517.75</u>	<u>522,089.08</u>	<u>58,131.50</u>	<u>101,859.08</u>	<u>39,144.21</u>		<u>1,290,058.81</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 12,692.79</u>	<u>\$ 56,840.50</u>	<u>\$ (557,279.90)</u>	<u>\$ 27,810.47</u>	<u>\$ (253,282.97)</u>	<u>\$ 6,292.51</u>	<u>\$ (702.47)</u>	<u>\$ (1,400.00)</u>	<u>\$ (709,029.07)</u>

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

Operating Income (Loss)	\$ 22,818.08	\$ 105,479.17	\$ 516,950.50	\$ 60,563.64	\$ 439,009.18	\$ 33,084.41	\$ (5,929.95)	\$ (141,338.76)	\$ 1,030,636.27
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:									
Depreciation/Amortization Expense	2,057.58	115,397.34	195,455.34	97,267.49	160,326.55	3,435.73	15,513.83	74,192.36	663,646.22
Change in Assets and Liabilities:									
Receivables	(602.75)	(877.69)	(500.75)	(1,053.61)	34,199.64	(222.61)	(10,339.30)		20,602.93
Inventories	(2,061.00)		(61,952.48)						(64,013.48)
Accounts and Other Payables	11.00				7,544.31				7,555.31
Sales Tax Payable			3,548.77		245.30	(8.15)	32.76		3,818.68
Accrued Leave Payable	247.44	(2,446.48)	(2,550.54)	1,549.55	(4,085.95)			(723.53)	(8,009.51)
Customer Deposits			148.67		350.00				498.67
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,470.35</u>	<u>\$ 217,552.34</u>	<u>\$ 651,099.51</u>	<u>\$ 158,327.07</u>	<u>\$ 637,589.03</u>	<u>\$ 36,289.38</u>	<u>\$ (722.66)</u>	<u>\$ (67,869.93)</u>	<u>\$ 1,654,735.09</u>

Noncash Investing, Capital and Financing Activities:

Contribution of Capital Assets	\$ 1,790,835.07	\$ 1,790,835.06							
Transfers of Prior Year Interfund Loans					(1,594,222.02)			518,680.14	

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

CITY OF BERESFORD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

a. Financial Reporting Entity

The reporting entity of the City of Beresford consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

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

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

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

The Sanitary Sewer Improvement Fund – to account for the financial resources to be used for the improvement of the water main system. This is a major fund.

The FEMA Saferoom/Bathhouse Fund – to account for the financial resources to be used for the use of FEMA funds for a Saferoom/Bathhouse. This is a major fund.

Proprietary Funds:

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

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

Liquor Fund – financed by liquor, beer and merchandise sales, this fund accounts for the operation of the municipal liquor store. This is a major fund.

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

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

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

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

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

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

Cablevision Fund – financed by user charges, this fund accounts for the operations of the cable television service. This is a major fund.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period

for the City of Beresford is 30 days. The revenues that were accrued at December 31, 2015 are amounts due from the county and state and interest.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

e. Deposits and Investments

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

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

f. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and can be preserved for significantly greater number of years than most capital assets.

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

Government-Wide Statements

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

The total December 31, 2015 balance of governmental activities capital assets includes approximately 3.1% for which the costs were determined by estimates of original costs. The total of December 31, 2015 balance of business-type capital assets are valued at original cost. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	ALL	NA	NA
Improvements other than buildings	\$5,000	Straight Line	10-50 YRS
Buildings	5,000	Straight Line	50 YRS
Machinery and Equipment	4,000	Straight Line	2-20 YRS
Telephone property and improvements	1,000	Straight Line	5-35 YRS

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, revenue bonds, certificates of participation, financing (capital acquisition) lease, and compensated absences.

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

h. Program Revenues

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

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

i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications

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

k. Cash and Cash Equivalents

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

l. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position

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

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered, restricted, or committed. Fund Balance may be assigned by the City Council.

- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

CITY OF BERESFORD
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

Fund Balances:	General Fund	Additional Sales Tax Fund	Community Center Debt Service Fund	Sanitary Sewer Improvement Project	FEMA Saferoom/ Bathhouse Capit Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>							
Inventory	\$ 37,809.22						\$ 37,809.22
Prepaid Expenses	31,670.60						31,670.60
Long-Term Note Receivable	1,101,257.00						1,101,257.00
<i>Restricted for:</i>							
Debt Service		163,000.00	125,000.50			78,185.28	366,185.78
Library						25,363.98	25,363.98
<i>Committed</i>							
Capital Improvement Additions		1,498,819.95					1,498,819.95
<i>Unassigned</i>	<u>172,416.97</u>		<u>(84,267.29)</u>	<u>(616,097.48)</u>	<u>(644,007.44)</u>	<u>(50,782.04)</u>	<u>(1,222,737.28)</u>
Total Fund Balances	<u>\$1,343,153.79</u>	<u>\$1,661,819.95</u>	<u>\$ 40,733.21</u>	<u>\$(616,097.48)</u>	<u>\$(644,007.44)</u>	<u>\$ 52,767.22</u>	<u>\$1,838,369.25</u>

o. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Note 2 – Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

Deposits – The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times,

segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

As of December 31, 2015, the City had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT - Government Cash Reserves	Unrated	\$ <u>1,531,423.21</u>

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

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

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

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

Note 3 – Restricted Cash and Investments

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

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Additonal Sales Tax	\$ 164,281.87	Debt Service, by debt covenants
Community Center	125,385.44	Debt Service, by debt covenants
Electric Fund	184,696.60	Debt Service, by debt covenants

Note 4 – Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

Note 5 – Inventory

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Note 6 – Property Taxes

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

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

Note 7 – Changes in Capital Assets

Governmental Activities	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Capital Assets Not Being Depreciated:				
Land	\$ 550,081.90	\$ 8,500.00	\$	\$ 558,581.90
Construction Work in Process	44,038.02	4,881,863.42	(4,925,901.44)	
Total Capital Assets, not being	<u>594,119.92</u>	<u>4,890,363.42</u>	<u>(4,925,901.44)</u>	<u>558,581.90</u>
Capital Assets Being Depreciated:				
Buildings	1,486,910.35	1,368,007.44		2,854,917.79
Improvements Other than Buildings	3,936,235.61	43,181.66		3,979,417.27
Machinery and Equipment	1,864,250.74	149,926.80		2,014,177.54
Library Books	292,981.15	16,830.00	(8,593.60)	301,217.55
Total Being Depreciated	<u>7,580,377.85</u>	<u>1,577,945.90</u>	<u>(8,593.60)</u>	<u>9,149,730.15</u>
Less Accumulated Depreciation for:				
Building	(742,964.88)	(88,559.94)		(831,524.82)
Improvements Other than Buildings	(1,710,236.56)	(155,106.95)		(1,865,343.51)
Machinery and Equipment	(1,317,759.45)	(90,292.05)		(1,408,051.50)
Library Books	(42,757.62)	(15,060.88)	8,593.60	(49,224.90)
Total Accumulated Depreciation	<u>(3,813,718.51)</u>	<u>(349,019.82)</u>	<u>8,593.60</u>	<u>(4,154,144.73)</u>
Total Governmental Activities Capital	<u>\$ 4,360,779.26</u>	<u>\$ 6,117,289.50</u>	<u>\$ (4,925,901.44)</u>	<u>\$ 5,554,167.32</u>
Depreciation Expense was charged to functions as follows:				
General Government				\$ 20,941.19
Public Safety				83,764.76
Public Works				150,078.52
Culture and Recreation				94,235.35
Total Depreciation Expense-Governmental				<u>\$ 349,019.82</u>

Business - Type Activities:	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Capital Assets Not Being Depreciated				
Land	\$ 443,834.68	\$	\$	\$ 443,834.68
Construction Work in Progress	65,175.00	3,583,170.34	(3,648,345.34)	
Total Capital Assets, not being depreciated	<u>509,009.68</u>	<u>3,583,170.34</u>	<u>(3,648,345.34)</u>	<u>443,834.68</u>
Capital Assets Being Depreciated:				
Buildings	3,346,210.56			3,346,210.56
Improvements Other than Buildings	12,896,343.87	3,745,147.23		16,641,491.10
Machinery and Equipment	1,491,613.87	26,395.00		1,518,008.87
Outside Plant	585,265.85			585,265.85
Head End Equipment	289,727.84			289,727.84
General Support Assets	256,756.04	5,671.00		262,427.04
Central Office Switching	1,499,059.50	206,645.00		1,705,704.50
Central Office Transmission	770,155.31			770,155.31
Origination and Termination	87,709.39			87,709.39
Cable and Wire (Restated)	1,950,408.50	8,267.00		1,958,675.50
Total Being Depreciated	<u>23,173,250.73</u>	<u>3,992,125.23</u>		<u>27,165,375.96</u>
Less Accumulated Depreciation for:				
Buildings	(1,672,132.24)	(53,091.83)		(1,725,224.07)
Improvements Other than Buildings	(5,022,464.62)	(355,315.11)		(5,377,779.73)
Machinery and Equipment	(988,431.13)	(66,602.78)		(1,055,033.91)
Outside Plant	(469,530.02)	(12,832.26)		(482,362.28)
Head End Equipment	(275,247.25)	(2,614.89)		(277,862.14)
General Support Assets	(230,578.97)	(8,148.02)		(238,726.99)
Central Office Switching	(1,404,363.79)	(64,098.60)		(1,468,462.39)
Central Office Transmission	(621,441.77)	(29,200.10)		(650,641.87)
Origination and Termination	(87,709.39)			(87,709.39)
Cable and Wire	(1,443,885.58)	(28,406.42)		(1,472,292.00)
Total Accumulated Depreciation	<u>(12,215,784.76)</u>	<u>(620,310.01)</u>		<u>(12,836,094.77)</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 11,466,475.65</u>	<u>\$ 6,954,985.56</u>	<u>\$ (3,648,345.34)</u>	<u>\$ 14,773,115.87</u>
Depreciation expense was charged to functions as follows:				
Liquor				\$ 2,057.58
Water				79,333.86
Electric				188,182.61
Sanitary Sewer				97,267.49
Telephone				160,326.55
Solid Waste				3,435.73
Cablevision				15,513.83
Golf Course				74,192.36
Total Depreciation Expense- Business-type Activities				<u>\$ 620,310.01</u>
Other Assets Not Being Depreciated:				
Other Assets-Lewis & Clark Water Rights	<u>\$ 1,803,174.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,803,174.00</u>

Note 8 – Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance <u>01/01/15</u>	<u>Additions</u>	<u>Retired</u>	Ending Balance <u>12/31/15</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ 130,000.00	\$	\$ 130,000.00	\$	\$
Certificates of Participation	2,385,000.00		195,000.00	2,190,000.00	185,000.00
Financing (Capital Acquisition) Lease					
Accrued Compensated Absences	60,032.73	61,265.88	60,032.73	61,265.88	49,012.70
Total Governmental Activities	<u>\$ 2,575,032.73</u>	<u>\$ 61,265.88</u>	<u>\$ 385,032.73</u>	<u>\$ 2,251,265.88</u>	<u>\$ 234,012.70</u>
Business-Type Activities:					
General Obligation Bonds	\$ 1,375,000.00	\$	\$ 105,000.00	\$ 1,270,000.00	\$ 105,000.00
Certificates of Participation	1,420,000.00		145,000.00	1,275,000.00	150,000.00
Accrued Compensated Absences	126,866.18	118,856.67	126,866.18	118,856.67	118,856.67
State Revolving Funds	1,241,532.09	1,103,571.00	336,626.88	2,008,476.21	42,429.24
Total Business-Type Activities	<u>\$ 4,163,398.27</u>	<u>\$ 1,222,427.67</u>	<u>\$ 713,493.06</u>	<u>\$ 4,672,332.88</u>	<u>\$ 416,285.91</u>
Total Primary Government	<u>\$ 6,738,431.00</u>	<u>\$ 1,283,693.55</u>	<u>\$ 1,098,525.79</u>	<u>\$ 6,923,598.76</u>	<u>\$ 650,298.61</u>

Debt payable at December 31, 2015 is comprised of the following:

General Obligation Bonds

Series 2012 General Obligation Bonds for the City's share of Lewis and Clark Rural Water Systems construction costs with interest rates varying from 0.700% to 3.000% depending on time to maturity. The final maturity is in 2026.

Payments will be made from the Water fund. \$ 1,270,000.00

Certificates of Participation

2013 Certificate of Participation for Community Center/Clubhouse with varying interest rates of 0.95 to 2.7% depending on length to maturity. Final maturity December 2026. Payments made from Community Center/Clubhouse Debt Service Fund.

1,065,000.00

2012 Certificate of Participation for Bridges Golf Course with varying interest rates of 0.950% to 3.250% depending on time to maturity. Final maturity January 1, 2024. Payments made from Additional Sales Tax Fund

1,125,000.00

2012 Certificate of Participation for Electrical Equipment with varying interest rates of 0.750% to 3.100% depending on time to maturity. Final maturity December 1, 2023. Payments made from Electric Fund

1,275,000.00

State Revolving Fund (SRF) Loans

2013 Clean Water Bonds with the interest rate of 3.25%. Final maturity April 15, 2044. Payments made from Sewer Fund.

1,256,389.33

2013 Drinking Water Bonds with the interest rate of 3%. Final maturity April 15, 2044. Payments made from Water Fund.

752,086.88

Compensated Absences:

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

Governmental Accrued Leave

61,265.88

Enterprise Accrued Leave

118,856.67

The annual requirements to amortize all debt outstanding as of December 31, 2015, except for compensated absences, are as follows:

Governmental Activities:

Year Ending Dec 31,	Certificates of Participation		Total	
	Principal	Interest	Principal	Interest
2016	\$ 185,000	\$ 53,153	\$ 185,000	\$ 53,153
2017	195,000	50,235	195,000	50,235
2018	195,000	46,552	195,000	46,552
2019	195,000	42,533	195,000	42,533
2020	200,000	38,137	200,000	38,137
2021-2025	970,000	110,953	970,000	110,953
2026-2030	250,000	6,750	250,000	6,750
TOTAL	\$ 2,190,000	\$ 348,313	\$ 2,190,000	\$ 348,313

Business-Type Activities:

Year Ending Dec 31,	General Obligation Bonds		Certificates of Participation		Revolving Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 105,000	\$ 28,510	\$ 150,000	\$ 30,828	\$ 42,429	\$ 63,232	\$ 482,429	\$ 175,723
2017	105,000	27,355	150,000	28,503	43,793	61,869	493,793	167,962
2018	105,000	26,095	155,000	26,027	45,200	60,462	500,200	159,136
2019	110,000	24,362	155,000	22,772	46,653	59,009	506,653	148,676
2020	110,000	22,272	160,000	19,130	48,152	57,509	518,152	137,048
2021-2025	605,000	69,930	505,000	29,950	264,996	263,312	2,344,996	474,145
2026-2030	130,000	3,900			310,421	217,886	690,421	228,536
2031-2035					363,647	164,660	363,647	164,660
2036-2040					426,016	102,292	426,016	102,292
2041-2045					417,169	30,491	417,169	30,491
TOTAL	\$ 1,270,000	\$ 202,424	\$ 1,275,000	\$ 157,210	\$ 2,008,476	\$ 1,080,722	\$ 6,743,476	\$ 1,788,669

Utilities Revenues Pledged:

The City has pledged future water, electric, telephone and cable customer revenues, net of specified operating expenses:

The water fund will repay \$1,600,000 in water system bonds issued in March 2012. Proceeds from the bonds provided financing for the City's share of Lewis and Clark Rural Water Systems construction costs. The bonds are payable solely from water customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 35 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,473,225.00. Principal and interest paid for the current year and total customer net revenues were \$134,560.00 and \$593,536.07, respectively.

The electric fund will repay \$1,855,000 in electric system bonds issued in March 2012. Proceeds from the bonds provided financing for improvements on the City's electric utility system. The bonds are payable solely from electric customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require 9 percent of net revenues. The total principal and interest remaining

to be paid on the bonds is \$1,432,210.00. Principal and interest paid for the current year and total customer net revenues were \$177,857.50 and \$3,098,069.45, respectively.

Note 9 – Operating Leases

The City leases copy machines, which include maintenance and repairs. Payments of \$348.99 per month are made from the General Fund.

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

<u>Year</u>	<u>General Fund</u>
2016	\$ 1,046.97

Note 10 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2015 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$	\$
Electric Fund	568,491.49	
Sewer Fund	66,469.93	
Community Center Debt Service Fund		84,652.23
Sanitary Sewer Improvement Fund		483,839.26
Golf Course Fund		66,469.93
FEMA Saferoom		1,184,687.44
Telephone Fund	1,184,687.44	
Total	<u>\$ 1,819,648.86</u>	<u>\$ 1,819,648.86</u>

The Telephone Fund loaned money to the FEMA Saferoom/Bathhouse for funding temporary cash shortages.

The Electric Fund loaned money to the Community Center Debt Service Fund and the Sanitary Sewer Improvement Fund for funding temporary cash shortages.

The Sewer Fund has also loaned money to the Golf Course Fund. The City Council plans to transfer funds from the Telephone Fund before December 31, 2016 to cover all of the cash shortages.

Note 11 – Restricted Net Position

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

	<u>Total</u>
Major Purposes	
Capital Improvement Purposes	\$ 1,498,819.95
Library Purposes	25,363.98
SDRS Pension Purposes	485,186.55
Debt Service Purposes	<u>315,403.74</u>
Total Restricted Net Position	<u>\$ 2,324,774.22</u>

These balances are restricted due to federal grant and statutory requirements

Note 12 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2015 were as follows:

	<u>Transfer to:</u>			
<u>Transfer From:</u>	General Fund	Sanitary Sewer	Golf Course	Community Ctr
Liquor Fund	\$ 10,000.00	\$	\$	\$
Water Fund		306,079.97		
Electric Fund	400,000.00			
Sewer Fund		486,475.00		
Telephone Fund	1,463,541.88		518,680.14	
Additional Sales Tax				384,320.77
Garbage Fund	30,000.00			
Total	<u>\$ 1,903,541.88</u>	<u>\$ 792,554.97</u>	<u>\$ 518,680.14</u>	<u>\$ 384,320.77</u>

The City typically budgets transfers to the General Fund to conduct the indispensable functions of the City. The sanitary sewer improvement project moved funds received for loan drawdowns to be used for the capital project.

The City also transferred cash to the Golf Course Fund and to the Community Center & Clubhouse Fund to cover cash shortages.

Note 13 - Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at

<http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
- 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
- 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. 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 fiscal years ended December 31, 2015, 2014, and 2013 were \$100,390.02, \$99,419.00, and \$93,898.50, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 9,540,034.15
Less proportionate share of total pension assets	<u>9,164,570.09</u>
Proportionate share of net pension asset	<u>\$ 375,464.06</u>

At December 31, 2015, the City reported a liability (asset) of \$ (375,464.06) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was .088526%, which is a decrease of .0022098% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense (revenue) of (\$53,924.99). At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 76,877.97	\$
Changes in assumption	297,719.37	
Net difference between projected and actual earnings on pension plan investments	229,364.63	554,004.40
Changes in proportion and difference between City contributions and proportionate share of contributions	7,144.60	
City contributions subsequent to the measurement date	<u>52,620.33</u>	
TOTAL	<u>\$ 663,726.90</u>	<u>\$ 554,004.40</u>

\$52,620.33 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:

2016	\$ 17,791.16
2017	17,791.16
2018	(47,863.07)
2019	<u>62,238.32</u>
TOTAL	<u>\$ 49,957.57</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 591,060.80	\$ (234,828.54)	\$ (908,270.18)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

Note 14 - Prior Period Adjustment

The City has water rights with Lewis & Clark Rural Water System, which should be amortized in the amount of \$36,063.48 annually. Five years of past amortization for a total of \$180,317.40 is reported in the Water Fund as a correction.

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net Position January 1, 2015, as previously reported	\$ 2,982,958.95	\$ 15,664,855.63
Restatement for Water Fund Amortization		(180,317.40)
Restatement for pension accounting:		
Net Pension Asset	653,714.33	
Pension related Deferred Inflows of Resources	(757,111.40)	
Pension related Deferred Outflows of Resources	<u>531,242.64</u>	
Net Position January 1, 2015, as restated	<u>\$ 3,410,804.52</u>	<u>\$ 15,484,538.23</u>

Note 15 – Joint Ventures

The City joined with numerous other telephone companies in the state in ownership of the South Dakota Network, a fiber optic ring encompassing the state for communications transmission. The network is a revenue pooling arrangement in which revenues are derived based on the amount of usage of the system. The City invested in the network based on its usage for the year ended December 31, 1998, and the number of lines in existence on December 31, 1998. The City of Beresford's investment in the network is \$89,490.00. The City received \$81,346.92 in revenue distributions from this investment during 2015.

Separate financial statements for the network are available from South Dakota Network, Inc. 2900 West 10th Street Sioux Falls, South Dakota 57104.

The following is the percentage of stock ownership as of December 31, 2015.

Alliance Communications Coop	7.51%
Beresford Municipal Telephone	1.28%
CRST Telephone Co.	2.39%
Faith Municipal Telephone	0.89%
Golden West Telecommunications	26.72%
Interstate Telecommunications Coop.	9.47%
James Valley Telecommunications	4.31%
Kennebec Telephone Co.	1.16%
Midstates Communications	4.37%
RC Technologies	2.35%
Santel Communications Coop.	4.70%
Stockholm-Strandburg Telephone Co.	1.09%
Swiftel Communcations	7.84%
Triotel	3.87%
Tricounty Telephone Co.	1.44%
Valley Telecommunications Coop.	3.88%
Venture Communications Coop.	8.20%
Western Telephone Co.	1.25%
West River Cooperative Telephone Co.	4.21%
West River Telecommunications Coop.	3.07%

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

Note 16 – Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015, the City managed its risks as follows:

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

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

Note 17 – Significant Contingencies - Litigation

At December 31, 2015, the city was not involved in any overtly threatening or pending litigation which would have a material impact upon the fair presentation of the City's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 539,362.00	\$ 539,362.00	\$ 524,570.80	\$ (14,791.20)
General Sales and Use Taxes	390,000.00	390,000.00	440,699.11	50,699.11
Utility Taxes	51,000.00	51,000.00	54,780.09	3,780.09
Amusement Taxes	300.00	300.00	228.00	(72.00)
Penalties and Interest	2,000.00	2,000.00	3,965.29	1,965.29
Licenses and Permits	13,250.00	13,250.00	31,740.86	18,490.86
Intergovernmental Revenue:				
Federal Grants			2,800.00	2,800.00
State Shared Revenue:				
Bank Franchise Tax	4,000.00	4,000.00	4,308.93	308.93
Liquor Tax Reversion	15,000.00	15,000.00	10,586.70	(4,413.30)
Motor Vehicle Licenses (5%)	20,000.00	20,000.00	27,893.58	7,893.58
Local Government Highway and Bridge Fund	25,000.00	25,000.00	29,177.14	4,177.14
Other	3,200.00	3,200.00	6,867.30	3,667.30
County Shared Revenue:				
County HBR Tax (25%)	600.00	600.00	1,180.40	580.40
County Wheel Tax	7,800.00	7,800.00	7,902.94	102.94
Charges for Goods and Services:				
Public Safety	1,700.00	1,700.00	4,217.09	2,517.09
Highways and Streets	3,300.00	3,300.00	9,491.76	6,191.76
Culture and Recreation	8,800.00	8,800.00	10,764.50	1,964.50
Fines and Forfeits:				
Court Fines and Costs	200.00	200.00	134.29	(65.71)
Miscellaneous Revenue:				
Investment Earnings	6,210.00	6,210.00	5,376.76	(833.24)
Rentals	58,000.00	58,000.00	61,040.25	3,040.25
Other	31,200.00	31,200.00	36,720.99	5,520.99
Total Revenue	<u>1,180,922.00</u>	<u>1,180,922.00</u>	<u>1,274,446.78</u>	<u>93,524.78</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	37,535.00	37,535.00	34,630.45	2,904.55
Executive	132,982.00	132,982.00	128,436.77	4,545.23
Financial Administration	158,701.00	158,701.00	161,300.77	(2,599.77)
Other	47,208.00	47,208.00	25,536.22	21,671.78
Total General Government	<u>376,426.00</u>	<u>376,426.00</u>	<u>349,904.21</u>	<u>26,521.79</u>
Public Safety:				
Police	443,197.00	443,197.00	368,107.11	75,089.89
Fire	41,130.00	41,130.00	29,010.34	12,119.66
Total Public Safety	<u>484,327.00</u>	<u>484,327.00</u>	<u>397,117.45</u>	<u>87,209.55</u>
Public Works:				
Highways and Streets	684,011.00	684,011.00	596,269.84	87,741.16
Total Public Works	<u>684,011.00</u>	<u>684,011.00</u>	<u>596,269.84</u>	<u>87,741.16</u>
Health and Welfare	<u>9,000.00</u>	<u>9,000.00</u>	<u>7,950.80</u>	<u>1,049.20</u>
Culture and Recreation:				
Parks	136,019.00	136,019.00	135,014.31	1,004.69
Recreation	72,392.00	72,392.00	72,392.00	
Community Subsidies	63,050.00	63,050.00	61,550.00	1,500.00
Libraries	213,260.00	213,260.00	209,939.24	3,320.76
Total Culture and Recreation	<u>484,721.00</u>	<u>484,721.00</u>	<u>478,895.55</u>	<u>5,825.45</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	42,448.00	42,448.00	42,996.89	(548.89)
Contingency	<u>25,000.00</u>	<u>25,000.00</u>		<u>25,000.00</u>
Total Expenditures	<u>2,105,933.00</u>	<u>2,105,933.00</u>	<u>1,873,134.74</u>	<u>232,798.26</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(925,011.00)</u>	<u>(925,011.00)</u>	<u>(598,687.96)</u>	<u>326,323.04</u>
Other Financing Sources (Uses):				
Transfers In	840,000.00	840,000.00	1,903,541.88	1,063,541.88
Transfers Out	30,000.00	30,000.00		(30,000.00)
Sales of Municipal Property			17,259.51	17,259.51
Compensation for Loss or Damage to Capital Asset			<u>1,413.20</u>	<u>1,413.20</u>
Total Other Financing Sources (Uses)	<u>870,000.00</u>	<u>870,000.00</u>	<u>1,922,214.59</u>	<u>1,052,214.59</u>
Net Change in Fund Balances	(55,011.00)	(55,011.00)	1,323,526.63	1,378,537.63
Fund Balance - Beginning	19,627.16	19,627.16	19,627.16	
FUND BALANCE - ENDING	<u>\$ (35,383.84)</u>	<u>\$ (35,383.84)</u>	<u>\$ 1,343,153.79</u>	<u>\$ 1,378,537.63</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
ADDITIONAL SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 390,000.00	\$ 390,000.00	\$ 440,520.49	\$ 50,520.49
Miscellaneous Revenue:				
Investment Earnings	<u>100.00</u>	<u>100.00</u>	<u>4,033.01</u>	<u>3,933.01</u>
Total Revenue	<u>390,100.00</u>	<u>390,100.00</u>	<u>444,553.50</u>	<u>54,453.50</u>
Expenditures:				
Debt Service	<u>165,126.00</u>	<u>165,126.00</u>	<u>165,630.99</u>	<u>(504.99)</u>
Total Expenditures	<u>165,126.00</u>	<u>165,126.00</u>	<u>165,630.99</u>	<u>(504.99)</u>
Excess of Revenue Over (Under) Expenditures	<u>224,974.00</u>	<u>224,974.00</u>	<u>278,922.51</u>	<u>53,948.51</u>
Other Financing Sources (Uses):				
Transfers Out	<u> </u>	<u> </u>	<u>(384,320.77)</u>	<u>(384,320.77)</u>
Net Change in Fund Balances	224,974.00	224,974.00	(105,398.26)	(330,372.26)
Fund Balance - Beginning	<u>1,767,218.21</u>	<u>1,767,218.21</u>	<u>1,767,218.21</u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 1,992,192.21</u>	<u>\$ 1,992,192.21</u>	<u>\$ 1,661,819.95</u>	<u>\$ (330,372.26)</u>

Schedule of Required Supplementary Information
CITY OF BERESFORD
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET)
South Dakota Retirement System

	2014	2015
City's proportion of the net pension liability (asset)	0.0907358%	0.0885260%
City's proportionate share of net pension liability (asset)	\$ (653,714)	\$ (375,464)
City's covered-employee payroll	\$ 1,528,067	\$ 1,601,740
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-42.78%	-23.44%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

Schedule of Required Supplementary Information
CITY OF BERESFORD
SCHEDULE OF THE CITY'S CONTRIBUTIONS
South Dakota Retirement System

	2015
Contractually required contribution	\$ 96,974
Contributions in relation to the contractually required contribution	\$ 96,974
Contribution deficiency (excess)	\$
City's covered-employee payroll	\$1,601,740
Contributions as a percentage of covered-employee payroll	6.05%

CITY OF BERESFORD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1: Budgets and Budgetary Accounting:

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue fund are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2: GAAP/ Budgetary Accounting Basis Differences

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

CITY OF BERESFORD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Library</u>	<u>Tax</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Increment</u>	<u>Governmental</u>
		<u>Fund #2</u>	<u>Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 25,363.98	\$ 27,403.24	\$ 52,767.22
TOTAL ASSETS	<u>\$ 25,363.98</u>	<u>\$ 27,403.24</u>	<u>\$ 52,767.22</u>
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Fund Balances:			
Restricted	25,363.98	27,403.24	52,767.22
TOTAL FUND BALANCES	<u>25,363.98</u>	<u>27,403.24</u>	<u>52,767.22</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 25,363.98</u>	 <u>\$ 27,403.24</u>	 <u>\$ 52,767.22</u>

CITY OF BERESFORD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonmajor</u>
	<u>Library</u>	<u>Tax</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Increment</u>	<u>Funds</u>
	<u>Fund #2</u>		
Revenues:			
Taxes:			
General Property Taxes	\$	\$ 88,811.68	\$ 88,811.68
Miscellaneous Revenue:			
Investment Earnings	17.94	6.28	24.22
Contributions & Donations	5,990.60		5,990.60
Other	9,539.65		9,539.65
Total Revenue	<u>15,548.19</u>	<u>88,817.96</u>	<u>104,366.15</u>
Expenditures:			
Libraries	8,006.42		8,006.42
Debt Service		139,600.00	139,600.00
Total Expenditures	<u>8,006.42</u>	<u>139,600.00</u>	<u>147,606.42</u>
Excess of Revenue Over (Under)			
Expenditures	7,541.77	(50,782.04)	(43,240.27)
Fund Balance - Beginning	<u>17,822.21</u>	<u>78,185.28</u>	<u>96,007.49</u>
Fund Balance - Ending	<u>\$ 25,363.98</u>	<u>\$ 27,403.24</u>	<u>\$ 52,767.22</u>

**CITY OF BERESFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2015</u>
U.S. Environmental Protection Agency Indirect Federal Funding: SD Department of Environment and Natural Resources Capitalization Grant for Clean Water State Revolving Funds	66.458	N/A	\$ 227,476.00
U.S. Department of Homeland Security Indirect Federal Funding SD Department of Public Safety Disaster Grants--Public Assistance (Note 4)	97.036	N/A	<u>724,000.00</u>
GRAND TOTAL			<u>\$ 951,476.00</u>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

QUAM, BERGLIN & POST, P.C.

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

(605) 356-3374

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

City Council
City of Beresford
Beresford, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beresford, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Beresford's basic financial statements and have issued our report thereon dated August 22, 2016. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these components units were not audited.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Prior and Current Audit Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Beresford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City of Beresford's Response to Findings

The City of Beresford's response to the findings identified in our audit is described in the accompanying Corrective Plan of Action. The City of Beresford's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the city's internal control on or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. 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.



Quam, Berglin & Post, P.C.
Certified Public Accountants

August 22, 2016

QUAM, BERGLIN & POST, P.C.

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

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Beresford
Beresford, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Beresford, South Dakota compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City of Beresford's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Beresford, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City of Beresford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Quam, Berglin & Post, P.C.
Elk Point, SD

August 22, 2016

**CITY OF BERESFORD
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

PRIOR AUDIT FINDING:

Prior Other Audit Findings:

The prior audit recommendation 2014-001 has not been corrected and is restated as Current Audit Finding Number 2015-001.

**CITY OF BERESFORD
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit, with the exception of the discretely presented component units. A disclaimer of opinion was issued on the discretely presented component units.
- b. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs were:

	<u>CFDA #</u>
U.S. Department of Homeland Security Disaster Grants-Public Assistance	97.036

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. The City of Beresford did not qualify as a low-risk auditee.

**CITY OF BERESFORD
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Audit Finding Number 2015-001:

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

Criteria:

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

Condition Found:

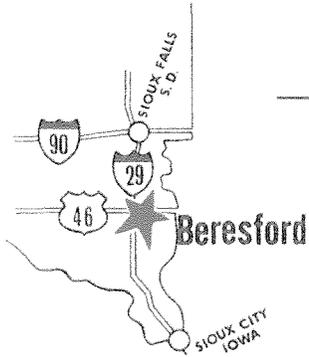
A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues, expenditures and payroll resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendation:

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

Corrective Action Plan:

Kathy Moller, Finance Officer for the City of Beresford, is the contact person responsible for the corrective action plan for this comment. The City Council has prepared a response to the finding which is on page 69.



City Of Beresford

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

CORRECTIVE PLAN OF ACTION 12/31/15

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

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



Mayor



Finance Officer