

Attachments

Beresford Municipal Telephone Company

Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules for Voice and Broadband Services

Service quality standards and consumer protection rules for broadband are not as defined as the rules for voice services. The Company complies with any service quality standards and consumer protection rules for broadband that are out there now and any that will be defined in the future.

Service Quality Standards

For voice services, the Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.

For voice and broadband services, the Company:

- Advertises the availability of its services and the charges using media of general distribution and/or on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during business hours.
- Directs after hour calls to the Company's help desk.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
 - Answer all incoming calls promptly.
 - Respond to all inquiries for information promptly and courteously.
 - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
 - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.
- Meets or exceeds the standards established by the state commission and provides any reports required in accordance with the state commission's rules.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

If complaints are filed with the Company regarding consumer protection rules, the complaint is immediately investigated, the matter tracked and any corrective action noted. This process ensures that problems are addressed and corrections made.

Beresford Municipal Telephone Company

Functionality in Emergency Situations

Back-Up Power

The Company can ensure functionality without an external power source. Beresford has a fixed stand-by generator that is equipped with a monitor panel and when commercial power is not present it immediately begins to supply power to the Central Office Equipment. Beresford uses a bank of batteries that would provide power to Central Office Equipment for approximately 8 hours in case of generator failure.

Rerouting of Traffic around Damaged Facilities

Beresford places its EAS, interexchange carrier switched and special access traffic, and Internet transport to our upstream provider on a protected ring which allows for diverse routing. Local Loops are a dedicated cable pair from the CO to the customer premise. Repair kits and cable are kept on hand to repair damaged facilities in a timely manner.

Traffic Spikes

Beresford reviews trunk utilization on a monthly basis. On an average we have approximately 40% spare capacity for EAS and Toll traffic, Operator Assistance and LNP trunks. The Company has adequate spare capacity to handle sporadic traffic spikes resulting from emergency situations. The Internet connection to our upstream broadband provider is monitored on a daily basis and when additional capacity is needed we order additional bandwidth.

Beresford Municipal Telephone Company

Lifeline Terms and Conditions

Beresford Municipal Telephone Company (“Beresford”) offers Lifeline program-supported service to qualified low-income residential consumers for one telephone line per eligible household. The Lifeline program provides discounts to eligible low-income consumers to help them establish and maintain telephone service. Lifeline assistance lowers the cost of basic, monthly local telephone service. Eligible consumers can receive \$9.25 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in Lifeline. Toll blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

Lifeline Program Eligibility Information

Program Based Eligibility

Consumers are eligible for Lifeline if they, one of their dependents or their household participate in one of the following qualifying assistance programs:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Supplemental Nutrition Assistance Program (SNAP)
- Medicaid
- National School Lunch Program’s Free Lunch Program
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)

Lifeline applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year’s statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer’s participation in a qualifying state, federal or Tribal program.

Income Based Eligibility

In addition, consumers are eligible for Lifeline if their household income is at or below 135% of the federal poverty guidelines.

2016 Federal Poverty Guidelines – 135%

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$16,038	\$20,034	\$18,455
2	\$21,627	\$27,027	\$24,881
3	\$27,216	\$34,020	\$31,307
4	\$32,805	\$41,013	\$37,733
5	\$38,394	\$48,006	\$44,159
6	\$43,983	\$54,972	\$50,585
7	\$49,586	\$61,992	\$57,010
8	\$55,202	\$69,012	\$63,464
For each additional person, add	\$5,616	\$7,020	\$6,453

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

Numbers of Minutes-of-Use Provided as Part of Lifeline Program Service

Beresford's Voice Lifeline service includes unlimited local minutes-of-use within the toll-free calling area. Beresford's Voice Lifeline Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the Lifeline service, Toll blocking is available to eligible consumers at no cost.

Rates

Subscribers may receive the Lifeline credit on any type or grade of local service, including bundled services that are normally offered by Beresford. Advertised rates do not include any applicable taxes or surcharges.

Recertification of Lifeline Eligibility

Lifeline recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for the Lifeline program will result in termination of the Lifeline recipient's monthly Lifeline discount and de-enrollment from the Lifeline Program.

Additional Lifeline Program Information

The Lifeline program is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined, for purposes of the Lifeline program, as an individual or group of individuals who live together at the same address and share income and expenses. Lifeline is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

Beresford Municipal Telephone Company

Progress Report of 5 Year Plan – Milestone Certification

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream:

- Beresford Municipal Telephone Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

REDACTED – FOR PUBLIC INSPECTION

REDACTED - FOR PUBLIC INSPECTION

Five-Year Plan Progress Report

Beresford Municipal Telephone Company

SAC: 391649

Year 2015 Federal Universal Service Receipts:

Interstate Access Support	\$ █
Interstate Common Line Support	\$ █
Connect America Fund Support	\$ █
High Cost Loop Support	\$ █
Safety Net Additive Support	\$ █
Safety Valve Loop Cost Adjustment	\$ █
CAF-ICC	\$ █
TOTAL	\$ █

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

	Actual
	2015
Plant Specific Operations Expenses	
Network support (Accts 6110-16)	\$ █
General support (Accts 6120-24)	\$ █
Central office (Accts 6210-6232)	\$ █
Cable and wire facilities (Accts 6410-41)	\$ █
Network operations (Accts 6530-35)	\$ █
Depreciation and amortization (Accts 6560-65)	\$ █
Customer Operations Expenses	
Customer services (Accts 6611-23)	\$ █
Corporate Operations Expenses	
Executive and planning (Accts 6710-12)	\$ █
General and administrative (Accts 6720-28)	\$ █
Total Years Supported Expenses, Before Return on Investment	\$ █
Additions/Capx	
Switching (Acct 2210)	\$ █
Transmission (Acct 2230)	\$ █
Cable and wire (Acct 2410)	\$ █
Total	\$ █
Total Supported Expenditures, Before Return on Investment	\$ █

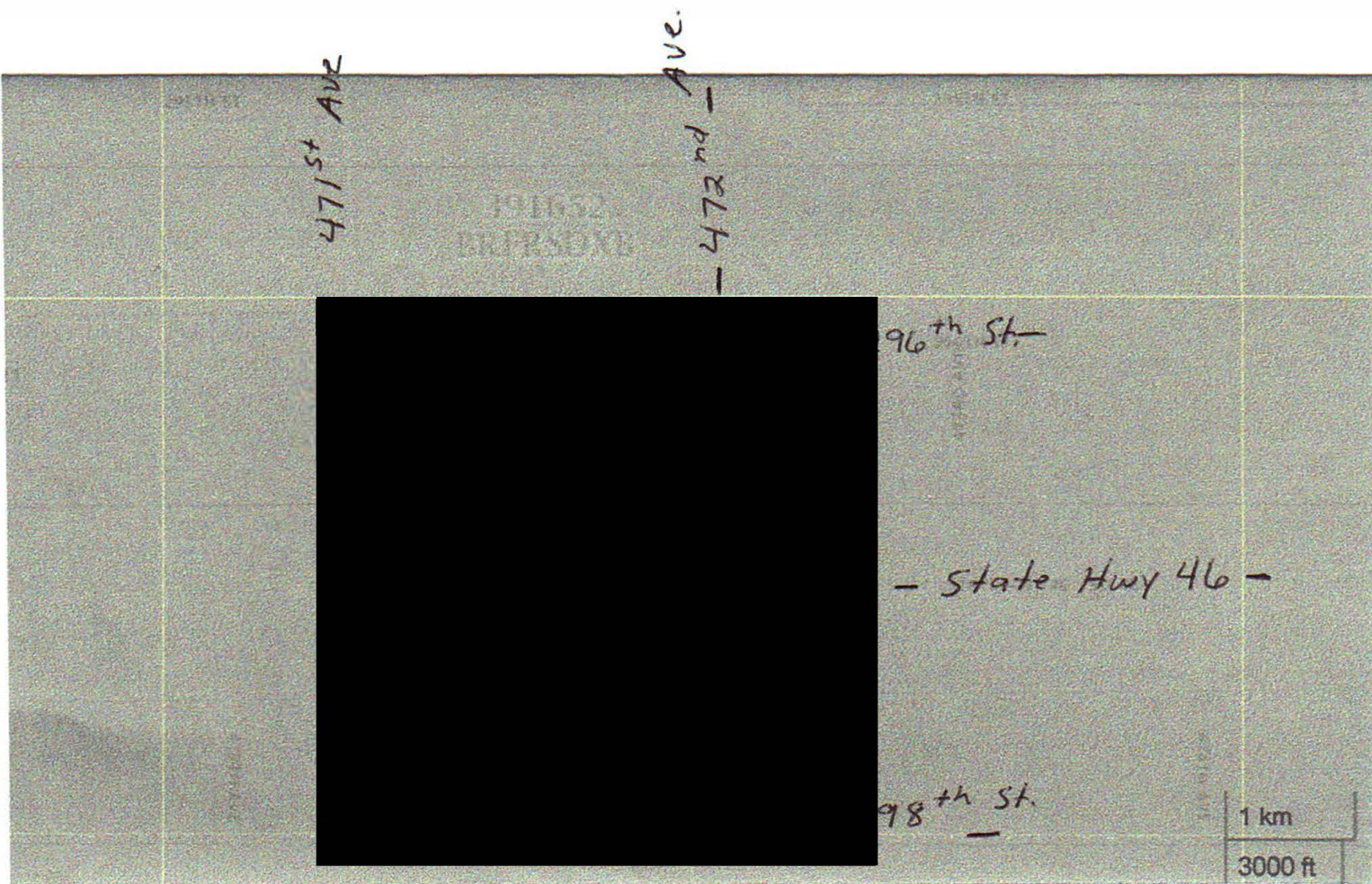
REDACTED - FOR PUBLIC INSPECTION

It is estimated that [REDACTED] of [REDACTED] of universal service funding received in 2015 was used to ensure and improve *service quality*. This ensures that the network is maintained and operated to provide telecommunications and information services as well as interexchange services and advanced telecommunications that are reasonably comparable to those services offered in urban areas and are available at rates that are reasonably comparable to rates charged for similar services in urban areas. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same % of universal service funding received in 2015 will be used to ensure and improve service quality in 2016.

It is estimated that [REDACTED] of [REDACTED] of universal service funding received in 2015 was used to improve *service coverage* at wire centers served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area currently have access to our broadband capable network. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same % of universal service funding received in 2015 will be used to improve service coverage in 2016.

It is estimated that [REDACTED] of [REDACTED] of universal service funding received in 2015 was used to improve *service capacity* at wire centers served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area will have access to our broadband capable network at speeds that meet or exceed 10Mbps/1Mbps . Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. We believe it is reasonable to conclude the same % of universal service funding received in 2015 will be used to improve service capacity in 2016.

Beresford Municipal Telephone - SAC 391649





June 24, 2016
VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Attention: Wireline Competition Bureau

Re: **Petition for Limited Waiver of Section 54.313(j)
Beresford Municipal Telephone Co., SAC 391649
ETC Annual Reports and Certifications; WC Docket Nos. 14-58 et al.**

Dear Ms. Dortch:

Pursuant to Section 1.3 of the rules of the Federal Communications Commission (“FCC” or “Commission”),¹ Beresford Municipal Telephone Co. (the “Company”), SAC 391649, hereby requests a limited waiver of 47 C.F.R. Section 54.313(j).² As demonstrated in the following information, good cause exists for waiver. Specifically pursuant to 47 C.F.R Section 54.313(f)(2)(ii), all privately held rate-of-return carriers that are not recipients of loans from the RUS and whose financial statements are audited in the ordinary course of business must provide either: A copy of their audited financial statement; or a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, accompanied by a copy of a management letter issued by the independent certified public accountant that performed the company’s financial audit.

At this time, an audit of the Company’s 2015 financial statement is in process but is not finalized. The audit will be completed but not prior to that which is outlined in 47 C.F.R. Section 54.313(j). The Company estimates that completion of such financial statement will occur within 60 days of this waiver request. The Company will file unaudited financial statements with its original Form 481 filing and will revise such filing with USAC, the FCC, and the State Commission upon completion of the audit. In addition, once completed, all lines of Form 481 that are reliant on the financial statements will be revised if changes are made between the unaudited and audited financial statements.

Once the audited financial statements have been filed, the Company will be in full compliance with 47 C.F.R. Section 54.313(f)(2)(ii). Thus grant of this limited waiver is warranted. The “good

¹ 47 C.F.R. § 1.3

² 47 C.F.R. § 54.313(j)

cause" waiver standard has been satisfied, and grant of this waiver would be in the public interest.

Please address any correspondence regarding this transmittal to the attention of Dan Davis at the following address, e-mail, and telephone number:

/s/ Dan Davis
Director Policy Analysis
Consortia Consulting
233 South 13th Street
Suite 1225
Lincoln, NE 68508

ddavis@consortiaconsulting.com

402-441-1672

REDACTED - FOR PUBLIC INSPECTION

REDACTED - FOR PUBLIC INSPECTION

**CITY OF BERESFORD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014**

**CITY OF BERESFORD
CITY OFFICIALS
DECEMBER 31, 2014**

Mayor:

K. James Fedderson

Governing Board:

Gerald Dahlin

Tom Erickson

Daniel Williams

Gary Lambert

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	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Notes to the Financial Statements	28
Required Supplementary Information:	
Budgetary Basis Comparison Schedules:	
General Fund	48
Additional Sales Tax Fund	50
Notes to the Required Supplementary Information	51
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of Nonmajor Governmental Funds	53
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</i> <i>Auditing Standards</i>	54
Schedule of Prior and Current Audit Findings	56
Corrective Plan of Action	57

QUAM & BERGLIN, 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, 2014, 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, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 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.

The Combining Nonmajor Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Fund Financial Statements are 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 October 26, 2015, 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 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, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

October 26, 2015

**CITY OF BERESFORD, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City transferred to the [REDACTED] a total of [REDACTED] from the following enterprise funds: [REDACTED] Telephone - [REDACTED]. The transfers were made to the [REDACTED] 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 [REDACTED] proprietary funds and one component unit – [REDACTED] Telephone, [REDACTED] 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 Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *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 [REDACTED] [REDACTED] 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 [REDACTED] telephone, [REDACTED] 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 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, 2013	2014	December 31, 2013	2014	December 31, 2013	2014
Current and Other Assets	\$					
Capital Assets						
Total Assets						
Deferred Outflows of Resources:						
Deferred Charge on Refunding						
Total Deferred Outflows of Resources						
Long-Term Debt Outstanding						
Other Liabilities						
Total Liabilities						
Net Position:						
Net Investment in Capital Assets						
Restricted						
Unrestricted						
Total Net Position	\$					
Increase (Decrease) in Net Position						
Beginning Net Position						
Prior Period Adjustment						
Adjusted Beginning Net Position						
Ending Net Position	\$					
Percentage of Increase (Decrease) in Net Position						

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, [REDACTED] bonds payable, certificates of participation and [REDACTED] 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.

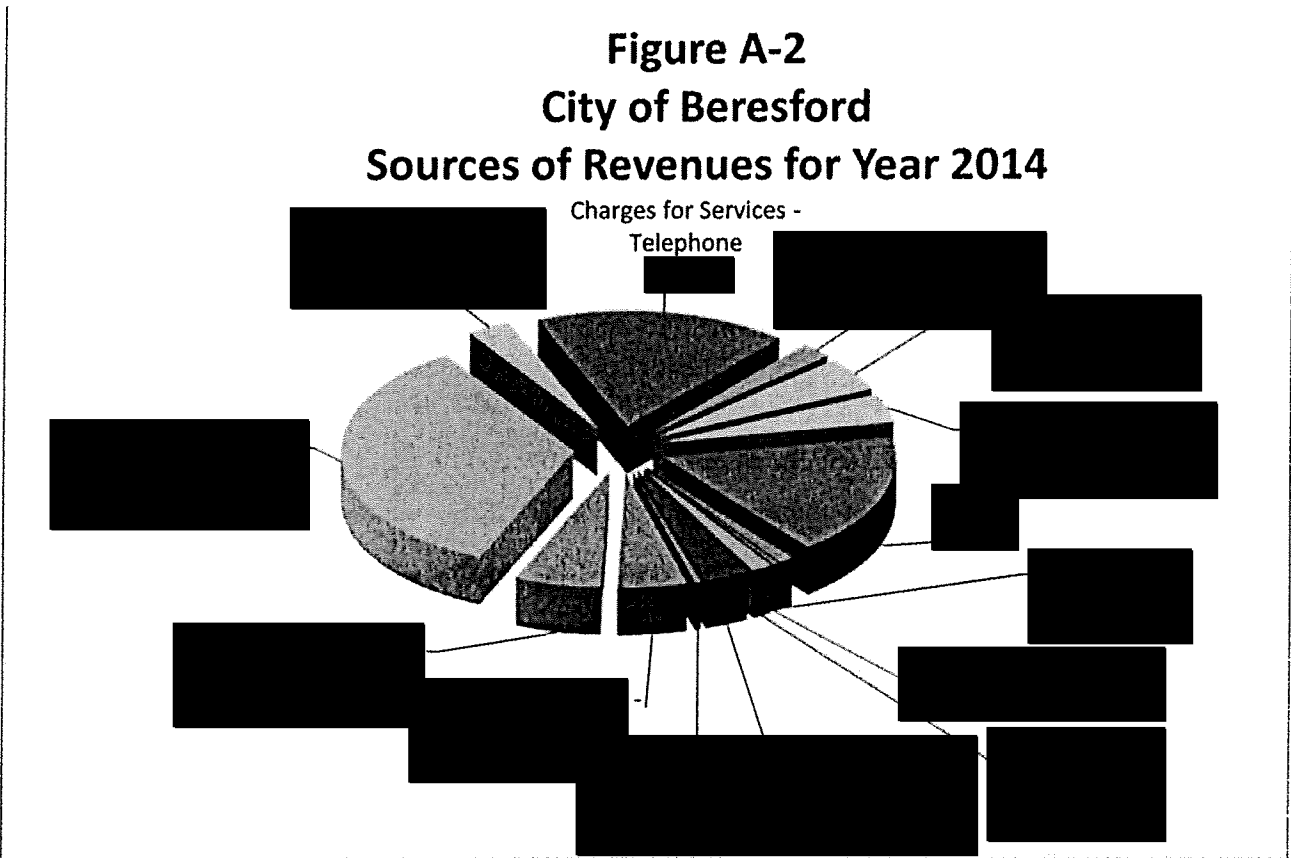
The remaining balance of net position is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

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 [REDACTED] (See Table A-2.) Well over half of the City's revenue comes from charges for services and taxes, with over [REDACTED] of every dollar raised coming from charges for services (primarily [REDACTED] and telephone operations) and [REDACTED] 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 [REDACTED] (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 [REDACTED] related to public works services [REDACTED] [REDACTED] telephone system [REDACTED] (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 [REDACTED] from [REDACTED] in 2013 to [REDACTED] in 2014 largely due to increases in taxes and grants for the year. The expenses [REDACTED] from [REDACTED] in 2013 to [REDACTED] in 2014 due mostly to the [REDACTED] in [REDACTED] functions.

Figure A-4
City of Beresford
Functional Expenses for Year 2014

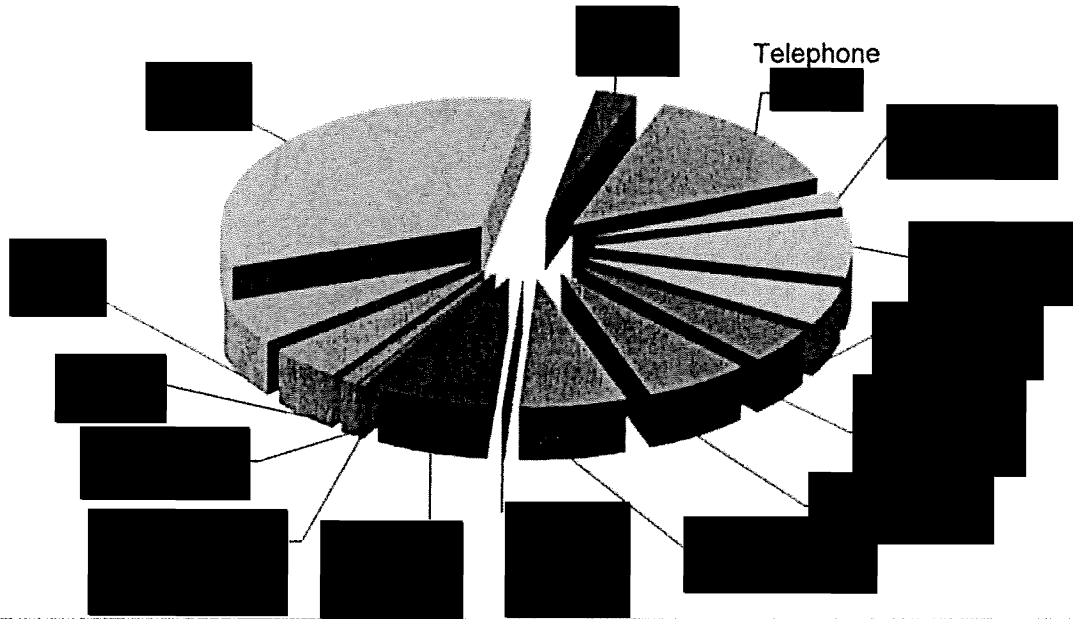


TABLE A-2
City of Beresford
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Change	
	December 31,		December 31,		December 31,	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenues						
Charges for Services	\$					
Capital Grants and Contributions						
General Revenues						
Taxes						
Revenue State Sources						
Unrestricted Investment Earnings						
Other General Revenue						
Transfers:						
Total Revenues and Transfers						
Expenses						
General Government						
Telephone						
Total Expenses						
Increase (Decrease) in Net Position						
NET POSITION - BEGINNING						
Prior Period Adjustment						
ADJUSTED NET POSITION - BEGINNING						
NET POSITION - ENDING						

Business-type Activities

Revenues of the City's business-type activities [redacted] from [redacted] in 2013 to [redacted] in 2014 and expenses [redacted] from [redacted] in 2013 to [redacted] in 2014 for all business-type activities. The factors contributing to these results included:

- [redacted] are [redacted]
- Business-type enterprise funds transferred [redacted] 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 [redacted] governmental funds [redacted] major and [redacted] non-major) - General, [redacted]

The City maintains [redacted] business type funds - Telephone, [redacted] The [redacted] 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 2014-12 Contingency Fund Transfers. This resolution authorized transferring funds for [redacted] and the [redacted]

Ordinance No. 2015-02, a Supplemental Appropriation Ordinance, was adopted to supplement the major capital assets additions. Source of funding in SD Public Funds Investment Trust and Pool Committee, return of funds.

- 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 [redacted] in land and [redacted] 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 [redacted] in land and [redacted] 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 [redacted] (net of depreciation), over the last year.

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

	Governmental Activities			Business-Type Activities		
	FY2013	FY2014	Increase/ (Decrease)	FY2013	FY2014	Increase/ (Decrease)
Land	\$ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Construction Work in Progress	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Buildings	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Improvements other than Building	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Machinery and Equipment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Capital Assets	\$ [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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

- [REDACTED] equipment
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

LONG-TERM DEBT

At the year-end the City had [REDACTED] in [REDACTED] Revenue Bonds, State Revolving Loans, General Obligation Bonds, Notes Payable, Certificates of Participation and other long-term obligations. This is a [REDACTED] of [REDACTED] which is due to the payments made by the City.

Table A-4
City of Beresford
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Dollar Change	Total % Change
	2013	2014	2013	2014		
Compensated Absences	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Certificates of Participation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] Revenue Bond	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
State Revolving Loan Funds	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Leases	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Outstanding Debt and Obligations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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 [REDACTED] is due to an [REDACTED] in the amount of leave accumulated and outstanding at the end of the year.

The City has outstanding [REDACTED] in [REDACTED] Revenue Bonds, Series 2000. These bonds are secured and are paid from the TIF Debt Service Fund.

The City has outstanding [REDACTED] in Certificates of Participation, Series 2013A refunded. These certificates are secured and paid from the Special Revenue Fund. They were purchased to finance the [REDACTED] Project.

The City has outstanding [REDACTED] in [REDACTED] State Revolving Loan Funds. This agreement is secured and paid from the [REDACTED]. This agreement finances the [REDACTED] and [REDACTED] Improvement Projects.

The City has outstanding [REDACTED] in Certificates of Participation, Series 2013B Refunded. These certificates are secured and paid from the [REDACTED]. They were used to purchase and finance the [REDACTED] project.

The City has outstanding [REDACTED] in Certificates of Participation, Series 2013 Refunded. These certificates are secured and paid from the [REDACTED] Funds. They were used to purchase and finance the [REDACTED] project.

The City has outstanding [REDACTED] in General Obligation Bonds, Series 2013 GO for the City's share of the [REDACTED] construction cost. The payments will be made from the [REDACTED]

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's current economic position has shown little change. The City did experience an [REDACTED] in total property valuation from the prior year. The [REDACTED] in property valuation allows the City the ability to [REDACTED] the amount of revenue generated from [REDACTED] however the City Council has chosen not to [REDACTED] the base amount it levies for [REDACTED]. Under the state mandated [REDACTED] limitation, [REDACTED] from one year to the next may [REDACTED] 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 [REDACTED] in the community [REDACTED].

The City's adopted General Fund budget for the next fiscal year will [REDACTED]. The City employees' wages will [REDACTED].

The City's business-type activities [REDACTED] telephone and [REDACTED] operations) expect that the results for 2015 will improve based on the past rate [REDACTED] implemented to cover [REDACTED] 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.

REDACTED - FOR PUBLIC INSPECTION

THIS PAGE DELIBERATELY BLANK

REDACTED - FOR PUBLIC INSPECTION
 CITY OF BERESFORD
 STATEMENT OF NET POSITION
 DECEMBER 31, 2014

	Primary Government			Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development
ASSETS:					
Cash and Cash Equivalents	\$			\$	
Investments					
Taxes Receivable					
Accounts Receivable, Net					
Notes Receivable					
Due from Other Governments					
Inventories					
Prepaid Expenses					
Restricted Assets:					
Cash and Cash Equivalents					
Investments					
Deposits					
Capital Assets:					
Land and Construction Work in Progress					
Other Capital Assets, Net of Depreciation					
Other Assets					
TOTAL ASSETS					
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charge on Refunding					
LIABILITIES :					
Accounts Payable					
Internal Balances					
Sales Taxes Payable					
Customer Deposits					
Noncurrent Liabilities:					
Due Within One Year					
Due in More than One Year					
TOTAL LIABILITIES					
NET POSITION:					
Net Investment in Capital Assets					
Restricted for:					
Capital Improvements					
Debt Service					
Unrestricted (Deficit)					
TOTAL NET POSITION					

14

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

CITY OF BERESFORD
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

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		
					Business-Type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Miscellaneous	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
*Interest on Long-term Debt	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total Governmental Activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Business-type Activities:							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Telephone	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total Business-type Activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total Primary Government	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Component Unit:							
Housing and Redevelopment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]
Economic Development	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]

* 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	[REDACTED]				
Total Component Units	[REDACTED]				
General Revenues:	[REDACTED]				
State Shared Revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Unrestricted Investment Earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Transfers:	[REDACTED]				
Total General Revenues and Transfers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change in Net Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Position-Beginning	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prior Period Adjustment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted Net Position-Beginning	[REDACTED]				
NET POSITION - ENDING	[REDACTED]				

CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds			Nonmajor	
	General Fund			Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Taxes Receivable—Delinquent	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accounts Receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Note Receivable-Component Unit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Due from Other Governments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Inventory of Supplies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Restricted Investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ASSETS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Due to Telephone Fund	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Liabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred Inflows of Resources:					
Unavailable Revenue-[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Deferred Inflows of Resources	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fund Balances:					
Nonspendable:					
Inventory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid Expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Long-Term Note Receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Restricted:					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Committed:					
Capital Improvement Additions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Unassigned	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Fund Balances	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

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, 2014**

Total Fund Balances - Governmental Funds [REDACTED]

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. [REDACTED]

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.

Revenue Bonds [REDACTED]

Accrued Leave [REDACTED]

Certificates of Participation [REDACTED]

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. [REDACTED]

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. [REDACTED]

Net Position- Governmental Funds \$ [REDACTED]

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, 2014

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund			Other Governmental Funds	
Revenues:					
Taxes:					
General	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
General	[REDACTED]	[REDACTED]			[REDACTED]
Utility Business Taxes	[REDACTED]				[REDACTED]
Amusement Taxes	[REDACTED]				[REDACTED]
Penalties and Interest on Delinquent Taxes	[REDACTED]				[REDACTED]
Licenses and Permits	[REDACTED]				[REDACTED]
Intergovernmental Revenue:					
State Grants			[REDACTED]		[REDACTED]
State Shared Revenue:					
Bank Franchise Tax	[REDACTED]				[REDACTED]
[REDACTED] Reversion	[REDACTED]				[REDACTED]
Motor Vehicle Licenses	[REDACTED]				[REDACTED]
Local Government Highway and Bridge Fund	[REDACTED]				[REDACTED]
Other	[REDACTED]				[REDACTED]
County Shared Revenue:					
County HBR Tax	[REDACTED]				[REDACTED]
County Wheel Tax	[REDACTED]				[REDACTED]
Charges for Goods and Services:					
[REDACTED]	[REDACTED]				[REDACTED]
Fines and Forfeits:					
Court Fines and Costs	[REDACTED]				[REDACTED]

Miscellaneous Revenue:

Investment Earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rentals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Special Assessments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contributions & Donations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Expenditures:

General Government:					
Legislative	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Executive	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financial Administration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total General Government	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]
[REDACTED]
Total [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------	------------	------------

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------	------------	------------

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------	------------	------------

CITY OF BERESFORD
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Major Funds				Nonmajor	Total Governmental Funds
	General Fund				Other Governmental Funds	
Conservation and Development:						
Economic Development and Assistance (Industrial Development)						
Total Conservation and Development						
Debt Service						
Capital Outlay						
Total Expenditures						
Excess of Revenue Over (Under) Expenditures						
Other Financing Sources (Uses):						
Transfers In						
Net Change in Fund Balances						
Fund Balance - Beginning						
FUND BALANCE - ENDING	\$	\$	\$	\$	\$	\$

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, 2014**

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

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

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

[REDACTED]

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

[REDACTED]

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

[REDACTED]

Governmental funds report property taxes and special assessments as revenue when they meet the available criteria. Because some property taxes and special assessments will not be collected for several months after the city's calendar year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.

[REDACTED]

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

[REDACTED]

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

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

CITY OF BERESFORD
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

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

LIABILITIES:

Current Liabilities:

Accounts Payable	[REDACTED]								
Accrued Taxes Payable	[REDACTED]		[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Due to Telephone Fund									
Customer Deposits			[REDACTED]		[REDACTED]			[REDACTED]	[REDACTED]
Bonds Payable Current		[REDACTED]	[REDACTED]	[REDACTED]					[REDACTED]
Accrued Leave Payable - Current									
Total Current Liabilities	[REDACTED]				[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Noncurrent Liabilities:

Bonds Payable		[REDACTED]							[REDACTED]
Total Noncurrent Liabilities		[REDACTED]							[REDACTED]
Total Liabilities	[REDACTED]								[REDACTED]

NET POSITION:

Net Investment in Capital Assets	[REDACTED]								[REDACTED]
Restricted for:									
Revenue Bond for Debt Service			[REDACTED]						[REDACTED]
Unrestricted Net Position	[REDACTED]								[REDACTED]
Total Net Position	[REDACTED]								[REDACTED]

CITY OF BERESFORD
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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

25

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

REDACTED - FOR PUBLIC INSPECTION

THIS PAGE DELIBERATELY BLANK

CITY OF BERESFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

Capital Assets Purchased by Governmental Funds									
--	--	--	--	--	--	--	--	--	--

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 [REDACTED] of the City of Beresford, South Dakota [REDACTED] is a proprietary fund-type, discretely presented component unit. The five members of the [REDACTED] are appointed by the Mayor, with the approval of the Governing Board. The [REDACTED] 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 [REDACTED] plans to construct [REDACTED] units, or to issue debt, which gives the Governing Board the ability to impose its will on the [REDACTED]. Separately issued financial statements from the [REDACTED] [REDACTED] may be obtained at Beresford City Hall.

The [REDACTED] 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 [REDACTED] may be obtained at Beresford City Hall.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least [REDACTED] 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 [REDACTED] 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.

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

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

██████████ – ██████████ are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

██████████ – to account for the required restricted cash and payments related to debt principal, interest and related costs of the ██████████ bond issue. This is a major fund.

██████████ – to account for ██████████ which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

██████████ – ██████████ 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).

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

██████████ – to account for the financial resources to be used for the use of ██████████. This is not a major fund.

Proprietary Funds:

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

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

██████████ – financed by ██████████ this fund accounts for the operation of the ██████████. This is a major fund.

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

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

██████████ – financed primarily by user charges, this fund accounts for the construction and operation of the ██████████ 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.

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

██████████ – financed by user charges, this fund accounts for the operations of the ██████████. This is a major fund.

██████████ – financed by user charges, this fund accounts for the operations of the ██████████. 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, 2014 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 file of a capital asset are also capitalized.

The total December 31, 2014 balance of governmental activities capital assets includes approximately [REDACTED] for which the costs were determined by estimates of original costs. The total of December 31, 2014 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:

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

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

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

h. Program Revenues

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

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

i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications

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

k. Cash and Cash Equivalents

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

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, 2014

Fund Balances:	General Fund	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	Total Governmental Funds
<i>Nonspendable:</i>						
Inventory	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Prepaid Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Long-Term Note Receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Restricted for:</i>						
Debt Service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Committed</i>						
Capital Improvement Additions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Unassigned</i>						
Total Fund Balances	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

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

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

REDACTED - FOR PUBLIC INSPECTION

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, 2014, the City had the following investments.

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

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

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

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

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

Note 3 – Restricted Cash and Investments

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

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

Note 4 – Receivables and Payables

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

Note 5 – Inventory

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Note 6 – Property Taxes

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

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

Note 7 – Changes in Capital Assets

Governmental Activities	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Capital Assets Not Being Depreciated:				
Land	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Construction Work in Process	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets Being Depreciated:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Building	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities Capital	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Depreciation Expense was charged to functions as follows:				
General Government				\$ [REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Total Depreciation Expense-Governmental				[REDACTED]

REDACTED - FOR PUBLIC INSPECTION

Business - Type Activities:	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Capital Assets Not Being Depreciated				
Land	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Construction Work in Progress	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets Being Depreciated:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outside Plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Head End Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General Support Assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Transmission	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Origination and Termination	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable and Wire (Restated)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outside Plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Head End Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General Support Assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Office Transmission	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Origination and Termination	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable and Wire	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Accumulated Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Business-Type Activities Capital Assets, net	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation expense was charged to functions as follows:				
[REDACTED]				\$ [REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Telephone				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Total Depreciation Expense- Business-type Activities				[REDACTED]
Other Assets Not Being Depreciated:				
Other Assets-	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Construction Work in Progress at December 31, 2014 is composed of the following:

<u>Project Name</u>	<u>Amount Authorized</u>	<u>Expended thru 12/31/14</u>	<u>Committed</u>
<i>Governmental</i>			
[REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Total Enterprise</i>	[REDACTED]	[REDACTED]	[REDACTED]
<i>Total Governmental and Enterprise</i>	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]

Note 8 – Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance 01/01/14</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance 12/31/14</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Certificates of Participation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financing (Capital Acquisition)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lease	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Governmental Activities	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Business-Type Activities:					
General Obligation Bonds	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Certificates of Participation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
State Revolving Funds	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Business-Type Activities	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Primary Government	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Debt payable at December 31, 2014 is comprised of the following:

Revenue Bonds

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

General Obligation Bonds

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

Certificates of Participation

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

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

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

State Revolving Fund (SRF) Loans

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

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

Compensated Absences:

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

Governmental Accrued Leave [REDACTED]
Enterprise Accrued Leave [REDACTED]

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences, are as follows:

Governmental Activities:

Year Ending Dec 31,	Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015						
2016						
2017						
2018						
2019						
2020-2024						
2025-2029						
TOTAL	\$					

Business-Type Activities:

Year Ending Dec 31,	General Obligation Bonds		Certificates of Participation		Revolving Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$							\$
2016								
2017								
2018								
2019								
2020-2024								
2025-2029								
2030-2034								
2035-2039								
2040-2044								
TOTAL	\$							

Utilities Revenues Pledged:

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

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

The [redacted] will repay [redacted] in [redacted] bonds issued in March 2012. Proceeds from the bonds provided financing for improvements on the City's [redacted] system. The bonds are payable solely from [redacted] net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require [redacted] percent of net revenues. The total principal and interest remaining

to be paid on the bonds is [REDACTED]. Principal and interest paid for the current year and total customer net revenues were [REDACTED] and [REDACTED], respectively.

Note 9 – Operating Leases

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

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

<u>Year</u>	<u>General Fund</u>
2015	\$ [REDACTED]
2016	[REDACTED]

Note 10 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2014 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ [REDACTED]	\$ [REDACTED]
[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]
Other Governmental Funds		[REDACTED]
Telephone Fund	[REDACTED]	
Total	\$ [REDACTED]	[REDACTED]

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

The Telephone Fund has also loaned money to the General Fund and to the [REDACTED] for cash shortages for a period covering several years. The City Council plans to transfer funds from the Telephone Fund before December 31, 2015 to cover these 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>
Capital Improvements	\$ [REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total Restricted Net Position	[REDACTED]

These balances are restricted due to federal grant and statutory requirements

Note 12 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer to:</u>	
	General Fund	Sanitary Sewer
██████████	██████████	
██████████		██████████
██████████	██████████	
██████████		██████████
Telephone Fund	██████████	
██████████	██████████	
Total	\$ ██████████	██████████

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

Note 13 – Retirement Plan

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

General employees are required by state statute to contribute █ percent of their salary to the plan, while ██████████ and ██████████ employees contribute at █ percent and █ percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of █ 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, 2014, 2013, and 2012 were ██████████, ██████████, and ██████████, respectively, equal to the required contributions each year.

Note 14 – 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 ██████████. The City received ██████████ in revenue distributions from this investment during 2014.

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, 2014.



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 15 – 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, 2014, 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 16 – Significant Commitments

The City is contingently liable for payment of up to [REDACTED] for the total debt issued to the [REDACTED] [REDACTED] to provide financing for [REDACTED]. The City will guarantee this payment if the net revenues of the projects are not

sufficient to make all debt service payments. As of December 31, 2014, the current outstanding amount of debt issued is [REDACTED], creating a total contingent liability of [REDACTED].

Note 17 – Significant Contingencies - Litigation

At December 31, 2014, 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.

Note 18 – Prior Period Adjustments

The City's [REDACTED] initiated a [REDACTED] project during fiscal year 2013. The funds for this project came from State Revolving Loan Programs and were deposited into a [REDACTED]. A large portion of the project was completed during fiscal year 2014.

The original drawdowns on this project during fiscal year 2013 were [REDACTED] for [REDACTED] [REDACTED] Loans and [REDACTED] for [REDACTED] Loans. The loans were accounted for in the governmental activities and should have been accounted for in the [REDACTED]. As a result, [REDACTED] is a prior period adjustment for both the Governmental Funds and the Enterprise Funds as shown on the Statement of Activities.

The fiscal year 2013 Construction in Progress portion of Capital Assets for this project were accounted for in the Governmental Activities and should have been accounted for in the [REDACTED]. The amounts that should have been in the [REDACTED] were [REDACTED] and in the [REDACTED], resulting in a total prior period adjustment of [REDACTED] for both the Governmental Funds and the Enterprise Funds as shown on the Statement of Activities.

The net effect of these two adjustments is [REDACTED] which is the total prior period adjustment for both Governmental and Enterprise Funds.

Note 19 – Deficit Fund Balances/Net Position of Individual Nonmajor Funds:

As of December 31, 2014, the following individual nonmajor fund had a deficit fund balance/net position in the amount shown:

[REDACTED] [REDACTED]

The governing board plans to transfer funds into this nonmajor fund to cover the deficit fund balance.

REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF BERESFORD
 BUDGETARY BASIS COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

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

**REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF BERESFORD
 BUDGETARY BASIS COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative				
Executive				
Financial Administration				
Other				
Total General Government				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
[Redacted]				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)				
Debt Service				
Contingency				
Total Expenditures				
Excess of Revenue Over (Under) Expenditures				
Other Financing Sources (Uses):				
Transfers In				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balance - Beginning				
FUND BALANCE - ENDING	\$			

REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF BERESFORD
 BUDGETARY BASIS COMPARISON SCHEDULE
 ADDITIONAL SALES TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ ██████████	██████████	██████████	██████████
Miscellaneous Revenue:				
Investment Earnings	██████████	██████████	██████████	██████████
Total Revenue	██████████	██████████	██████████	██████████
Expenditures:				
Debt Service	██████████	██████████	██████████	██████████
Total Expenditures	██████████	██████████	██████████	██████████
Net Change in Fund Balances	██████████	██████████	██████████	██████████
Fund Balance - Beginning	██████████	██████████	██████████	
FUND BALANCE - ENDING	\$ ██████████	██████████	██████████	██████████

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 █ 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 █ function of government, along with all other current █ related expenditures.

CITY OF BERESFORD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	<u>Special Revenue</u> Fund	<u>Capital Projects</u> Capital Project Fund	<u>Debt Service</u> Tax Increment Fund #2	Total Nonmajor Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
TOTAL ASSETS	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
FUND BALANCES:				
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Due to Other Funds	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total Liabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fund Balances:				
Restricted	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL FUND BALANCES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES AND FUND BALANCES	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

CITY OF BERESFORD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Special Revenue</u> Fund	<u>Capital Projects</u> Capital Project Fund	<u>Debt Service</u> Tax Increment Fund #2	Nonmajor Governmental Funds
Revenues:				
Taxes:				
General Property Taxes	\$	\$	\$	
Investment Earnings				
Contributions & Donations				
Other				
Total Revenue				
Expenditures:				
Capital Outlay				
Debt Service				
Total Expenditures				
 Net Change in Fund Balances				
 Fund Balance - Beginning				
 Fund Balance - Ending	\$			

QUAM & BERGLIN, 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, 2014, 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 October 26, 2015. 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 2014-001 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, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

October 26, 2015

**CITY OF BERESFORD
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2014**

STATUS OF PRIOR AUDIT RECOMMENDATIONS:

The prior audit recommendation 2013-01 has not been corrected and is restated as Current Audit Finding Number 2014-001.

The prior audit recommendation 2013-02 has been corrected.

CURRENT AUDIT FINDING:

Internal Control Related Finding – Material Weakness

Audit Finding Number 2014-001:

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.

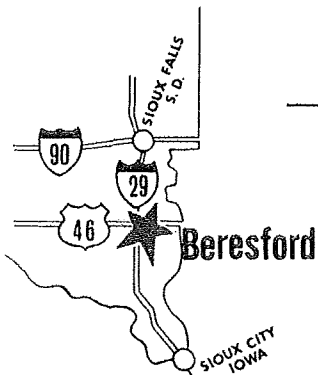
Recommendation:

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 57.

City Of Beresford

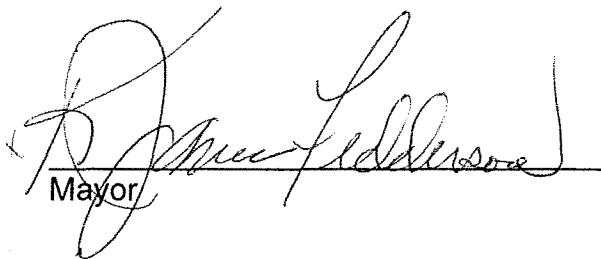


101 N. Third
Beresford, S.D. 57004-1796
PHONE: (605) 763-2008
FAX: (605) 763-2329

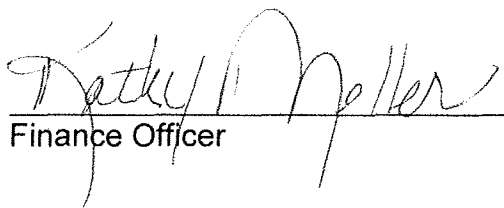
CORRECTIVE PLAN OF ACTION
12/31/14

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

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



Mayor



Finance Officer

REDACTED - FOR PUBLIC INSPECTION

**CITY OF BERESFORD
COMPILATION REPORT
DECEMBER 31, 2015**

REDACTED - FOR PUBLIC INSPECTION

QUAM & BERGLIN, P.C.

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

(605) 356-3374

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

March 16, 2016

City Council
City of Beresford
Beresford, South Dakota

Management is responsible for 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, which collectively comprise the City's basic financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of on these financial statements.

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

March 16, 2016

CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Funds				Nonmajor		Total Governmental Funds
	General Fund						
ASSETS:							
100 Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$	\$
110 Taxes Receivable--Delinquent							
115 Accounts Receivable							
128 Notes Receivable							
131 Due from Community Center Fund							
132 Due from Other Governments							
141 Inventory of Supplies							
155 Prepaid Expense							
107.1 Restricted Cash and Cash Equivalents							
TOTAL ASSETS							
LIABILITIES AND FUND BALANCES:							
Liabilities:							
206 Accounts Payable							
208 Due to General Fund							
208 Due to [REDACTED]							
208 Due to [REDACTED]							
208 Due to Telephone Fund							
217 Payroll Deductions and Withholdings and Employer Matching Payable							
Total Liabilities							
DEFERRED INFLOWS OF RESOURCES							
245 Unavailable Revenue on [REDACTED]							
Fund Balances:							
263 Nonspendable							
264 Restricted							
267 Unassigned							
Total Fund Balances							
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$	\$	\$	\$	\$	\$	\$

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

	Major Funds					Total Governmental Funds
	General Fund					
Revenues:						
310 Taxes:						
311 General	\$			\$		\$
313 General Sales and Use Taxes						
314 Gross Receipts Business Taxes						
315 Amusement Taxes						
319 Penalties and Interest on Delinquent Taxes						
320 Licenses and Permits						
330 Intergovernmental Revenue:						
331 Federal Grants						
335 State Shared Revenue:						
335.01						
335.03						
335.04						
335.08						
335.20 Other						
338 County Shared Revenue:						
338.02 County HBR Tax						
338.03 County Wheel Tax						
340 Charges for Goods and Services:						
342						
343						
346						
350 Fines and Forfeits:						
351 Court Fines and Costs						
360 Miscellaneous Revenue:						
361 Investment Earnings						
362 Rentals						
369 Other						
Total Revenue						

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

	Major Funds					Total Governmental Funds
	General Fund					
465 Economic Development and Assistance (Industrial Development)						
Total Conservation and Development						
470 Debt Service						
485 Capital Outlay						
Total Expenditures						
Excess of Revenue Over (Under) Expenditures						
Other Financing Sources (Uses):						
391.01 Transfers In						
511 Transfers (Out)						
391.04 Sale of Fixed Assets						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances						
Fund Balance - Beginning						
FUND BALANCE - ENDING						\$

See Accountant's Compilation Report

REDACTED - FOR PUBLIC INSPECTION

LIABILITIES:

Current Liabilities:

202 Accounts Payable	\$		\$		\$		\$		\$	
216 Accrued Wages Payable										
217 Payroll Deductions and Withholdings and Employer Matching Payable										
208 Due to Telephone Fund										
220 Customer Deposits										
Total Current Liabilities										

Noncurrent Liabilities:

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

NET POSITION:

253.10 Net Investment in Capital Assets										
253.20 Restricted for:										
253.21 Revenue Bond for Debt Service										
253.90 Unrestricted Net Position										
Total Net Position										
TOTAL LIABILITIES AND NET POSITION	\$		\$		\$		\$		\$	

See Accountant's Compilation Report

REDACTED - FOR PUBLIC INSPECTION

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

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

See Accountant's Compilation Report

REDACTED - FOR PUBLIC INSPECTION

	Beginning Balance <u>1/1/2015</u>	<u>Additions</u>	<u>Retired</u>	Ending Balance <u>12/31/2015</u>	Due within <u>One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation Revenue Bonds	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Certificates of Participation	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences - Governmental Funds	[REDACTED]			[REDACTED]	[REDACTED]
Total Governmental Activities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]		
Business-Type Activities:					
State Revolving Funds	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	[REDACTED]
Revenue Bonds	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Certificates of Participation			[REDACTED]	[REDACTED]	[REDACTED]
Accrued Compensated Absences - Business- Type Funds	[REDACTED]			[REDACTED]	[REDACTED]
Total Business-Type Activities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]		
Total Primary Government	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]		