

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	391649
<015>	Study Area Name	BERESFORD MUNICIPAL
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	4028181322 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	14.0

<703>

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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OMB Control No. 3060-0986/OMB Control No. 3060-0819

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[illegible]

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 or qualifying broadband internet access service (BIAS) per eligible household. The Lifeline program provides discounts to eligible low-income consumers to help them establish and maintain telephone or qualifying BIAS 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:

Federal Public Housing Assistance (Section 8)
 Supplemental Nutrition Assistance Program (SNAP)
 Medicaid
 Supplemental Security Income (SSI)
 Veteran's Pension and Survivor Benefit

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.

2017 Federal Poverty Guidelines – 135%

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$16,281	\$20,331	\$18,711
2	\$21,924	\$27,392	\$25,205
3	\$27,567	\$34,452	\$31,698
4	\$33,210	\$41,513	\$38,192
5	\$38,853	\$48,573	\$44,685
6	\$44,496	\$55,634	\$51,179
7	\$40,139	\$62,694	\$57,672
8	\$55,782	\$69,755	\$64,166
For each additional person, add	\$5,643	\$7,061	\$6,494

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.

Tribal Eligibility

A subscriber who lives on Tribal lands and is an eligible resident of Tribal lands is eligible for Tribal Lifeline service or Tribal Link Up if the subscriber, one or more of the subscriber's dependents, or the subscriber's household participates in any of the above-listed qualifying assistance programs or one of the following Tribal-specific federal assistance programs: Bureau of Indian Affairs General Assistance; Tribally Administered Temporary Assistance for Needy Families; Head Start (if income eligibility criteria are met); or the Food Distribution Program on Indian Reservations (FDPIR). Tribal subscribers may also qualify if the household income is at or below 135% of the Federal Poverty Guidelines.

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.

BIAS minimum speed and usage allowance standards are required for the service to qualify.

Lifeline recipients may transfer the Lifeline benefit to a new company once every sixty days for telephone service and once every 12 months for BIAS.

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 BIAS. 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

Certification of Public Interest Obligations

To be in compliance with the Certification of Public Interest Obligations:

- 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.

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**CITY OF BERESFORD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016**

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

REDACTED - FOR PUBLIC INSPECTION

**CITY OF BERESFORD
CITY OFFICIALS
DECEMBER 31, 2016**

Mayor:

K. James Fedderson

Governing Board:

Gerald Dahlin

Tom Erickson

Steve Cain

Arthur Schott

Teresa Sveeggen

Finance Officer:

Kathy Moller

City Administrator:

Jerry Zeimetz

**CITY OF BERESFORD
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QUAM, BERGLIN & POST, P.C.

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

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

City Council
City of Beresford
Beresford, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Beresford, South Dakota, as of and for the year ended December 31, 2016, 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, 2016, 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, the Pension Schedules and the Budgetary Comparison Schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the City of Beresford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beresford's internal control over financial reporting and compliance.



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

June 20, 2017

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CITY OF BERESFORD

STATEMENT OF NET POSITION

DECEMBER 31, 2016

				Unaudited Component Units	
			Total		
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					
Pension Related Deferred Outflows					
TOTAL DEFERRED OUTFLOWS OF RESOURCES					
LIABILITIES :					
Accounts Payable					
Contracts Payable					
Contracts Payable - Retainage					
Internal Balances					
Sales Taxes Payable					
Customer Deposits					
Noncurrent Liabilities:					
Due Within One Year					
Due in More than One Year					
TOTAL LIABILITIES					

CITY OF BERESFORD

STATEMENT OF NET POSITION

DECEMBER 31, 2016

				Unaudited Component Units
			Total	
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows				
TOTAL DEFERRED INFLOWS OF RESOURCES				
NET POSITION:				
Net Investment in Capital Assets				
Restricted for:				
Capital Improvements				
Library				
Debt Service				
SDRS Pension Purposes				
Unrestricted (Deficit)				
TOTAL NET POSITION				

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**CITY OF BERESFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total	Unaudited Component Units	
[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]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
*Interest on Long-term Debt	[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]			[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]			[REDACTED]	[REDACTED]		
Total	[REDACTED]	[REDACTED]			[REDACTED]	[REDACTED]		
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		
Component Unit:								
[REDACTED]	[REDACTED]	[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.

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Total					
Total Component Units					
General Revenues:					
Taxes:					
Property Taxes					
Sales Taxes					
Utility Taxes					
State Shared Revenues					
Unrestricted Investment Earnings					
Miscellaneous Revenue					
Transfers:					
Total General Revenues and Transfers					
Change in Net Position					
Net Position-Beginning					
NET POSITION - ENDING					

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

REDACTED - FOR PUBLIC INSPECTION

**CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Major Funds				Nonmajor	
ASSETS:						
Cash and Cash Equivalents	\$					
Taxes Receivable--Delinquent						
Accounts Receivable						
Note Receivable--Component Unit						
Due from Other Funds						
Due from Other Governments						
Inventory of Supplies						
Prepaid Expenses						
Restricted Cash & Cash Equivalents						
Restricted Investments						
TOTAL ASSETS						
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Contracts Payable						
Contracts Payable--Retained Percentage						
Due to Other Funds						
Total Liabilities						
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes						
Total Deferred Inflows of Resources						
Fund Balances:						
Nonspendable:						
Inventory						
Prepaid Expense						
Long-Term Note Receivable						
Restricted:						
Debt Service						
Capital Improvement Additions						
Library						
Committed:						
Capital Improvement Additions						
Unassigned						
Total Fund Balances						
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						

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, 2016**

Total Fund Balances - [REDACTED] [REDACTED]

Amounts reported for [REDACTED] in the statement of net position are different because:

Capital assets used in [REDACTED] are not financial resources and therefore are not reported in the funds. [REDACTED]

Long-term liabilities, including bonds, financing leases payable, pension liability and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Net Pension Liability	\$ [REDACTED]	
Accrued Leave	[REDACTED]	
Financing (Capital Acquisition) Lease	[REDACTED]	
Certificates of Participation	[REDACTED]	[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]

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. [REDACTED]

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds. [REDACTED]

Net Position- [REDACTED] \$ [REDACTED]

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

Miscellaneous Revenue:

Investment Earnings

Rentals

Special Assessments

Contributions & Donations

Other

Total Revenue

Expenditures:

Other

Total

Other

Total

Total

Total

Total

11

**CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2

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, 2016**

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

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

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

[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]

[REDACTED] 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]

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

[REDACTED]

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

[REDACTED]

Change in Net Position of [REDACTED] \$ [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, 2016**

[illegible]

LIABILITIES:

Current Liabilities:

Accounts Payable									
Accrued Taxes Payable									
Due to Other Funds									
Customer Deposits									
Bonds Payable Current									
Accrued Leave Payable - Current									
Total Current Liabilities									

Noncurrent Liabilities:

Bonds Payable									
Total Noncurrent Liabilities									
Total Liabilities									

NET POSITION:

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

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

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**CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

									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									
Gain/Loss on Investments									
Interest Expense & Fiscal Charges									
Total Nonoperating Revenue (Expense)									
Income (Loss) Before Transfers and Contributions									
Capital Contributions									
Transfers In									
Transfers (Out)									
Change in Net Position									
Net Position - Beginning									
NET POSITION - ENDING	\$								

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

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**CITY OF BERESFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Cash and Cash Equivalents at Beginning of Year									
Cash and Cash Equivalents at End of Year									
Net Increase (Decrease) in Cash and Cash Equivalents	\$								
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating Income (Loss)	\$				\$				
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:									
Depreciation/Amortization Expense									
Change in Assets and Liabilities:									
Receivables									
Prepaid Expenses									
Accounts and Other Payables									
Sales Tax Payable									
Accrued Leave Payable									
Customer Deposits									
Net Cash Provided (Used) by Operating Activities		\$			\$				
Noncash Investing, Capital and Financing Activities:									
Contribution of Capital Assets	\$				\$				
Gain/Loss on Investments	\$								

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

CITY OF BERESFORD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

The Beresford [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 Beresford [REDACTED] [REDACTED] [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

[REDACTED] *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. [REDACTED] generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are

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

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

Fund Financial Statements:

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

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

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

Funds:

— the 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 is always considered to be a major fund.

— are used to account for the proceeds of (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

— 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.

— are used to account for financial resources to be used for the acquisition or construction of major 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 not a major fund.

— to account for the financial resources to be used for the use of for a . This is a major fund.

— to account for the financial resources to be used for the construction of a new for the community. This is a major fund.

— to account for the financial resources to be used for the improvements needed for the . This is not a major fund.

:

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

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

— financed by and merchandise sales, this fund accounts for the operation of the . 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 ██████████ services. 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, 2016 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.

e. Deposits and Investments

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

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

f. Capital Assets

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

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

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended

location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2016 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, 2016 balance of business-type capital assets are valued at original cost. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, certificates of participation, financing (capital acquisition) leases, SDRS pension liability 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, 2016

Fund Balances:						
<i>Nonspendable:</i>						
Inventory	\$		\$		\$	
Prepaid Expenses						
Long-Term Note Receivable						
<i>Restricted for:</i>						
Debt Service						
Capital Improvement and Debt Service						
Library						
<i>Committed</i>						
Capital Improvement Additions						
<i>Unassigned</i>						
Total Fund Balances						

o. Pensions

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

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

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

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

Investments – In General, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above or in shares of an open-end, no-load fund administered by an investment company whose

investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Fair Value Measurement – The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2016:

U. S. Treasury Notes - Level 2

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, 2016, the City had the following investments, not including certificates of deposits.

<u>Fund</u>	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
[REDACTED]	[REDACTED]	12/31/16 \$	[REDACTED]
[REDACTED]	[REDACTED]	11/30/18	[REDACTED]
	Subtotal		[REDACTED]
			[REDACTED]
Total Investments		N/A	[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>

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 [REDACTED] 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

	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Governmental Activities				
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 Assets, net	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]
Depreciation Expense was charged to functions as follows:				
[REDACTED]				\$ [REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Total Depreciation Expense [REDACTED]				[REDACTED]

Construction Work in Progress at December 31, 2016 is composed of the following:

Project Name	Amount Authorized	Expended thru 12/31/16	Committed
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

REDACTED - FOR PUBLIC INSPECTION

Business - Type Activities:	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Capital Assets Not Being Depreciated				
Land	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Capital Assets, not being depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital Assets Being Depreciated:				
Buildings	[REDACTED]			[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]		[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outside Plant	[REDACTED]			[REDACTED]
Head End Equipment	[REDACTED]			[REDACTED]
General Support Assets	[REDACTED]			[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]		[REDACTED]
Central Office Transmission	[REDACTED]	[REDACTED]		[REDACTED]
Origination and Termination	[REDACTED]			[REDACTED]
Cable and Wire (Restated)	[REDACTED]			[REDACTED]
Total Being Depreciated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less Accumulated Depreciation for:				
Buildings	[REDACTED]	[REDACTED]		[REDACTED]
Improvements Other than Buildings	[REDACTED]	[REDACTED]		[REDACTED]
Machinery and Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outside Plant	[REDACTED]	[REDACTED]		[REDACTED]
Head End Equipment	[REDACTED]	[REDACTED]		[REDACTED]
General Support Assets	[REDACTED]	[REDACTED]		[REDACTED]
Central Office Switching	[REDACTED]	[REDACTED]		[REDACTED]
Central Office Transmission	[REDACTED]	[REDACTED]		[REDACTED]
Origination and Termination	[REDACTED]			[REDACTED]
Cable and Wire	[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]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
[REDACTED]				[REDACTED]
Total Depreciation Expense- Business-type Activities				\$ [REDACTED]
Other Assets:				
Other Assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note 8 – Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance 01/01/15</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance 12/31/15</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
██████████	\$	\$	\$	\$	\$
Certificates of Participation					
Financing (Capital Acquisition) Lease					
Accrued Compensated Absences					
Total Governmental Activities	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>
Business-Type Activities:					
General Obligation Bonds	\$				
Certificates of Participation					
Accrued Compensated Absences					
State Revolving Funds					
Total Business-Type Activities	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Primary Government	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>

Debt payable at December 31, 2016 is comprised of the following:

[REDACTED]	
[REDACTED] for the City's share of [REDACTED]	
Systems 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]
<u>Certificates of Participation</u>	
[REDACTED] for [REDACTED] with varying interest rates of [REDACTED] depending on length to maturity. Final maturity December 2026. Payments made from [REDACTED] Debt Service Fund.	[REDACTED]
[REDACTED] for [REDACTED] with varying interest rates of [REDACTED] depending on time to maturity. Final maturity January 1, 2024. Payments made from [REDACTED] Fund	[REDACTED]
[REDACTED] for [REDACTED] with varying interest rates of [REDACTED] depending on time to maturity. Final maturity December 1, 2023. Payments made from [REDACTED]	[REDACTED]
[REDACTED] for [REDACTED] with varying interest rates of [REDACTED] depending on time to maturity. Final maturity December 1, 2035. Payments made from [REDACTED] Fund.	[REDACTED]
<u>Financing (Capital Acquisition) Leases</u>	
[REDACTED] Lease with no stated interest rate. Final Maturity April 10, 2021. Payments made monthly from the [REDACTED].	[REDACTED]
[REDACTED] with [REDACTED]. Interest rate of [REDACTED]. Final Maturity date of January 15, 2019. Payments made from [REDACTED].	[REDACTED]
[REDACTED]	
[REDACTED] with the interest rate of [REDACTED] Final maturity April 15, 2044. Payments made from [REDACTED].	[REDACTED]
[REDACTED] with the interest rate of [REDACTED] Final maturity April 15, 2044. Payments made from [REDACTED].	[REDACTED]
<u>Compensated Absences:</u>	
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.	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

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

Principal	\$	
Interest		
Total	\$	

The annual requirements to amortize all debt outstanding as of December 31, 2016, except for compensated absences and [REDACTED], are as follows:

Governmental Activities:

Year Ending Dec 31,					Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$					
2018						
2019						
2020						
2021						
2022-2026						
2027-2031						
2032-2036						
TOTAL	\$					

Business-Type Activities:

Year Ending Dec 31,							Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$						\$	
2018								
2019								
2020								
2021								
2022-2026								
2027-2031								
2032-2036								
2037-2041								
2042-2046								
TOTAL								

[REDACTED]:

The City has pledged future [REDACTED], telephone and [REDACTED] customer 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]. The bonds are payable solely from [REDACTED] customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require [REDACTED] percent of net revenues. The total principal and interest remaining to be paid on the bonds is [REDACTED]. Principal and interest paid for the current year and total customer net revenues were [REDACTED] and [REDACTED], respectively.

Note 9 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2016 were:

Fund	Interfund Receivables	Interfund Payables
[REDACTED]	\$ [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	
[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]
Total	\$ [REDACTED]	[REDACTED]

The [REDACTED] and the [REDACTED] loaned monies to the [REDACTED] fund and the [REDACTED]. The City Council plans to transfer funds to [REDACTED] before December 31, 2017.

Note 10 – Restricted Net Position

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

Major Purposes	<u>Total</u>
[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total Restricted Net Position	[REDACTED]

These balances are restricted due to federal grant and statutory requirements

Note 11 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2016 were as follows:

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, [REDACTED] of salary; Class B Judicial Members, [REDACTED] of salary; and Class B Public Safety Members, [REDACTED] of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of [REDACTED] percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2016, 2015, and 2014 were [REDACTED], and [REDACTED], respectively, equal to the required contributions each year.

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

At June 30, 2016, SDRS is [REDACTED] funded and accordingly has a net pension liability. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ [REDACTED]
Less proportionate share of total pension assets	[REDACTED]
Proportionate share of net pension liability	\$ [REDACTED]

At December 31, 2016, the City reported a liability of [REDACTED] for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the City's proportion was [REDACTED] which is [REDACTED] of [REDACTED] from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense (revenue) of [REDACTED]. At December 31, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ [REDACTED]	\$ [REDACTED]
Changes in assumption	[REDACTED]	
Net difference between projected and actual earnings on pension plan investments	[REDACTED]	
Changes in proportion and difference between City contributions and proportionate share of contributions	[REDACTED]	[REDACTED]
City contributions subsequent to the measurement date	[REDACTED]	[REDACTED]
TOTAL	\$ [REDACTED]	[REDACTED]

[REDACTED] reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:

2017	\$ [REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
TOTAL	\$ [REDACTED]

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	[REDACTED] percent
Salary Increases	[REDACTED] percent at entry to [REDACTED] percent after 30 years of service
Investment Rate of Return	[REDACTED] percent through 2017 and [REDACTED] percent thereafter, net of pension plan investment expense

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should

use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was [REDACTED] percent through 2017 and [REDACTED] thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of [REDACTED] percent through 2017 and [REDACTED] percent thereafter, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is [REDACTED] point [REDACTED] or [REDACTED] point [REDACTED] than the current rate:

	[REDACTED]	[REDACTED]	[REDACTED]
City's proportionate share of the net pension liability (asset)	[REDACTED]	[REDACTED]	[REDACTED]

Pension Plan Fiduciary Net Position:

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

Note 13 – Joint Ventures

The City joined with numerous other telephone companies in the state in ownership of the [REDACTED], 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

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

The following is the percentage of stock ownership as of December 31, 2016.

[illegible]

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 14 – 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, 2016, 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 15 – Significant Contingencies - Litigation

At December 31, 2016, 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 16 – Violations of Finance-related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant [REDACTED] of the expenditures compared to appropriations:

[REDACTED]

Note 17 – Component Unit Notes Receivable

The City of Beresford paid off the balance of a mortgage on a spec building and land owned by the [REDACTED] a component unit of the city, Interest on this note is [REDACTED] paid annually to the city. As of December 31, 2016, the remaining amount due on this note is [REDACTED]

In August of 2014, the City of Beresford issued a loan to [REDACTED] in the amount of [REDACTED] for development and construction of [REDACTED] on the south end of the [REDACTED]. The remaining amount due on this note as of December 31, 2016 is [REDACTED]

In November of 2015, the City of Beresford issued a loan to [REDACTED] in the amount of [REDACTED] for completion of another project which includes [REDACTED] with an anticipated completion date of May, 2016. The remaining amount due on this note as of December 31, 2016 is [REDACTED]

REDACTED - FOR PUBLIC INSPECTION
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General Sales and Use Taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Utility Taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amusement Taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax Deed Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Penalties and Interest	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Licenses and Permits	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Intergovernmental Revenue:				
Federal Grants				
State Shared Revenue:				
[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]
Other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
County Shared Revenue:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Charges for Goods and Services:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fines and Forfeits:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous Revenue:				
Investment Earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rentals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Street Assessments			[REDACTED]	[REDACTED]
Contributions & Donations			[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

REDACTED - FOR PUBLIC INSPECTION
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total General Government	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[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]
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]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contingency	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Excess of Revenue Over (Under)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other Financing Sources (Uses):				
Transfers In	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Transfers Out			[REDACTED]	[REDACTED]
Sales of Municipal Property			[REDACTED]	[REDACTED]
Compensation for Loss or Damage			[REDACTED]	[REDACTED]
to Capital Asset			[REDACTED]	[REDACTED]
Total Other Financing Sources (Uses)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Change in Fund Balances	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fund Balance - Beginning	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FUND BALANCE - ENDING	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
ADDITIONAL SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Miscellaneous Revenue:				
Investment Earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expenditures:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Excess of Revenue Over (Under) Expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other Financing Sources (Uses):				
Transfers Out			[REDACTED]	[REDACTED]
Loss on Investments			[REDACTED]	[REDACTED]
Total Other Financing Sources (Uses)			[REDACTED]	[REDACTED]
Net Change in Fund Balances	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fund Balance - Beginning	[REDACTED]	[REDACTED]	[REDACTED]	
FUND BALANCE - ENDING	[REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]

Schedule of Required Supplementary Information

CITY OF BERESFORD

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET)

South Dakota Retirement System

	2014	2015	2016
City's proportion of the net pension liability (asset)			
City's proportionate share of net pension liability (asset)			
City's covered-employee payroll			
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll			
Plan fiduciary net position as a percentage of the total pension liability (asset)			

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

Schedule of Required Supplementary Information

CITY OF BERESFORD

SCHEDULE OF THE CITY'S CONTRIBUTIONS

South Dakota Retirement System

	2015	2016
Contractually required contribution	\$ [REDACTED]	[REDACTED]
Contributions in relation to the contractually required contribution	\$ [REDACTED]	[REDACTED]
Contribution deficiency (excess)	\$ [REDACTED]	\$ [REDACTED]
City's covered-employee payroll	[REDACTED]	[REDACTED]
Contributions as a percentage of covered-employee payroll	[REDACTED]	[REDACTED]

REDACTED - FOR PUBLIC INSPECTION

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 Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

REDACTED - FOR PUBLIC INSPECTION
CITY OF BERESFORD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

<u>Special Revenue</u>	<u>Debt Service</u>			

ASSETS:

Cash and Cash Equivalents
Due From Other Funds
Due From Government
Restricted Investment

TOTAL ASSETS

48

LIABILITIES AND FUND BALANCES:

Liabilities:

No Liabilities

Total Liabilities

Fund Balances:

Restricted

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

**CITY OF BERESFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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QUAM, BERGLIN & POST, P.C.

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

(605) 356-3374

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

City Council
City of Beresford
Beresford, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beresford, South Dakota, as of and for the year ended December 31, 2016, 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 June 20, 2017. 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 2016-001 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Audit Findings as item 2016-002.

City of Beresford's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the city's internal control on or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



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

June 20, 2017

CITY OF BERESFORD
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

PRIOR OTHER AUDIT FINDING:

Prior Other Audit Findings:

The prior audit recommendation 2015-001 has not been corrected and is restated as Current Audit Finding Number 2016-001.

CURRENT OTHER AUDIT FINDINGS:

Internal Control Related Finding – Material Weakness:

Audit Finding Number 2016-001:

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:

Jerry Zeimetz, City Administrator 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 the following page.

Compliance Related Findings:

Audit Finding Number 2016-002:

Expenditures were paid in excess of appropriations for some departments.

Criteria:

SDCL 9-21-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided.

Condition Found:

In 2016, the expenditures paid from the [REDACTED] the total amount budgeted for the [REDACTED] and [REDACTED] by [REDACTED] and [REDACTED] respectively. The expenditures from the [REDACTED]

[REDACTED] the total amount budgeted for the [REDACTED] and [REDACTED] by [REDACTED] and [REDACTED] respectively.

Recommendation:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Corrective Action Plan:

Jerry Zeimetz, City Administrator for the City of Beresford, is the contact person responsible for the corrective action plan for these comments. The City Council has prepared responses to the findings, which are on the following page.

CITY OF BERESFORD
BERESFORD, SD

CORRECTIVE PLAN OF ACTION
12/31/16

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.

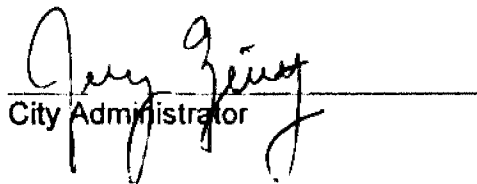
The City of Beresford will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allows.

The City of Beresford will monitor the budgets of each fund more closely to ensure that overspending does not occur.

In the future, when monitoring the budgets, if the expenditures are anticipated to exceed the annual appropriation, the City of Beresford will adopt a supplemental appropriation to utilize unobligated fund balances.



Mayor



City Administrator