

CITY OF BERESFORD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BERESFORD
CITY OFFICIALS
DECEMBER 31, 2017**

Mayor:

K. James Fedderson

Governing Board:

Gerald Dahlin

Tom Erickson

Troy Boone

Steve Cain

Arthur Schott

Teresa Sveeggen

Finance Officer:

Elaine Johnson

City Administrator:

Jerry Zeimetz

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QUAM, BERGLIN & POST, P.C.

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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, 2017, 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 Units" paragraph, we do not express an audit opinion on the discretely presented component units.

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, 2017, 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 29, 2018, 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.

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

June 29, 2018

**CITY OF BERESFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development
ASSETS:					
Cash and Cash Equivalents	\$ 2,566,843.18	\$ 1,503,321.69	\$ 4,070,164.87	\$ 77,281.39	\$ 168,801.86
Investments-Certificates of Deposit		1,193,201.54	1,193,201.54		
Taxes Receivable	15,832.35		15,832.35		
Accounts Receivable, Net	554.34	624,130.69	624,685.03		566,976.88
Notes Receivable	648,836.57		648,836.57		
Due from Other Governments	32,300.46		32,300.46	20,207.16	
Inventories	65,353.64	774,174.31	839,527.95	238,459.41	1,403,175.00
Prepaid Expenses	40,045.61	62,090.36	102,135.97		
Net Pension Asset	7,881.45		7,881.45		
Restricted Assets:					
Investments	604,553.04	183,943.01	788,496.05		
Deposits		39,811.25	39,811.25		
Capital Assets:					
Land and Construction Work in Progress	920,491.27	443,834.68	1,364,325.95		
Other Capital Assets, Net of Depreciation	8,093,784.01	13,948,937.20	22,042,721.21		
Other Assets - Lewis & Clark		1,514,666.16	1,514,666.16		
TOTAL ASSETS	<u>12,996,475.92</u>	<u>20,288,110.89</u>	<u>33,284,586.81</u>	<u>336,692.96</u>	<u>2,138,953.74</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Charge on Refunding	72,097.92	36,363.62	108,461.54		
Pension Related Deferred Outflows	808,763.03		808,763.03		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>880,860.95</u>	<u>36,363.62</u>	<u>917,224.57</u>		
LIABILITIES :					
Accounts Payable		4,206.99	4,206.99		
Contracts Payable	502,705.33		502,705.33		
Contracts Payable - Retainage	29,810.22		29,810.22		
Internal Balances	364,275.03	(364,275.03)			
Sales Taxes Payable		27,401.74	27,401.74		
Customer Deposits		40,120.00	40,120.00	745.00	
Noncurrent Liabilities:					
Due Within One Year	341,826.72	562,011.21	903,837.93		
Due in More than One Year	4,566,812.58	3,957,825.73	8,524,638.31		1,218,836.57
TOTAL LIABILITIES	<u>5,805,429.88</u>	<u>4,227,290.64</u>	<u>10,032,720.52</u>	<u>745.00</u>	<u>1,218,836.57</u>

**CITY OF BERESFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment Economic Development
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	161,914.95		161,914.95	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>161,914.95</u>		<u>161,914.95</u>	
NET POSITION:				
Net Investment in Capital Assets	4,420,856.26	11,479,441.54	15,900,297.80	
Restricted for:				
Capital Improvements	1,111,429.66		1,111,429.66	
Library	36,553.41		36,553.41	
Debt Service	204,182.49	185,500.00	389,682.49	
SDRS Pension Purposes	654,729.53		654,729.53	
Unrestricted (Deficit)	1,482,240.69	4,432,242.33	5,914,483.02	920,117.17
TOTAL NET POSITION	<u>\$ 7,909,992.04</u>	<u>\$ 16,097,183.87</u>	<u>\$ 24,007,175.91</u>	<u>\$ 335,947.96</u> <u>\$ 920,117.17</u>

CITY OF BERESFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							Unaudited	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units		
							Housing & Redevelopment	Economic Development	
Primary Government:									
Governmental Activities:									
General Government	\$ 389,996.35	\$	\$	\$ (389,996.35)	\$	\$			
Public Safety	548,462.11	1,713.61		(546,748.50)		(546,748.50)			
Public Works	579,401.01	6,417.22		(572,983.79)		(572,983.79)			
Health and Welfare	2,058.90			(2,058.90)		(2,058.90)			
Culture and Recreation	612,953.90	24,603.66		(588,350.24)		(588,350.24)			
Conservation and Development	18,212.97			(18,212.97)		(18,212.97)			
Miscellaneous		38,038.50		38,038.50		38,038.50			
*Interest on Long-term Debt	423,236.41			(423,236.41)		(423,236.41)			
Total Governmental Activities	2,574,321.65	70,772.99		(2,503,548.66)		(2,503,548.66)			
Business-type Activities:									
Liquor	346,460.70	331,952.71			(14,507.99)	(14,507.99)			
Water	537,156.82	619,075.64			81,918.82	81,918.82			
Electric	2,960,860.03	3,545,993.79			585,133.76	585,133.76			
Sewer	352,190.42	306,180.04			(46,010.38)	(46,010.38)			
Telephone	1,147,659.27	1,561,155.41			413,496.14	413,496.14			
Garbage	167,938.76	196,051.95			28,113.19	28,113.19			
Golf Course	703,327.45	484,516.81			(218,810.64)	(218,810.64)			
Cablevision	468,040.05	455,729.32			(12,310.73)	(12,310.73)			
Total Business-type Activities	6,683,633.50	7,500,655.67			817,022.17	817,022.17			
Total Primary Government	9,257,955.15	7,571,428.66		(2,503,548.66)	817,022.17	(1,686,526.49)			
Component Unit:									
Housing and Redevelopment	2,615.84	10,170.00							\$ 7,554.16
Economic Development	75,394.57	18,510.00							\$ (56,884.57)

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

Total Primary Government					
Total Component Units	(2,503,548.66)	817,022.17	(1,686,526.49)	7,554.16	(56,884.57)
General Revenues:					
Taxes:					
Property Taxes	588,803.20		588,803.20		
Sales Taxes	801,517.92		801,517.92		
Utility Taxes	57,937.33		57,937.33		
State Shared Revenues	90,635.50		90,635.50		
Unrestricted Investment Earnings	16,406.97	18,317.60	34,724.57	134.72	37,059.87
Miscellaneous Revenue	370,574.71	40,517.00	411,091.71		29,449.47
Transfers:	809,902.18	(809,902.18)			
Total General Revenues and Transfers	2,735,777.81	(751,067.58)	1,984,710.23	134.72	66,509.34
Change in Net Position	232,229.15	65,954.59	298,183.74	7,688.88	9,624.77
Net Position-Beginning	7,677,762.89	16,031,229.28	23,708,992.17	328,259.08	910,492.40
NET POSITION - ENDING	\$ 7,909,992.04	\$ 16,097,183.87	\$ 24,007,175.91	\$ 335,947.96	\$ 920,117.17

CITY OF BERESFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Major Funds				Nonmajor	
	General Fund	Swimming Pool Project	Hybrid Turkey Fund	Other Governmental Funds	Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 1,117,775.54	\$ 312,267.16	\$	\$ 1,136,800.48	\$ 2,566,843.18	
Taxes Receivable--Delinquent	15,832.35				15,832.35	
Accounts Receivable	554.34				554.34	
Note Receivable-Component Unit	648,836.57				648,836.57	
Due from Other Governments	20,973.73			11,326.73	32,300.46	
Inventory of Supplies	65,353.64				65,353.64	
Prepaid Expenses	40,045.61				40,045.61	
Restricted Investments		316,954.73		287,598.31	604,553.04	
TOTAL ASSETS	<u>1,909,371.78</u>	<u>629,221.89</u>		<u>1,435,725.52</u>	<u>3,974,319.19</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Construction Payable		452,245.93	50,459.40		502,705.33	
Construction Payable--Retained Percentage			29,810.22		29,810.22	
Due to Other Funds			269,676.73	94,598.30	364,275.03	
Total Liabilities		<u>452,245.93</u>	<u>349,946.35</u>	<u>94,598.30</u>	<u>896,790.58</u>	
Deferred Inflows of Resources:						
Unavailable Revenue--Property Taxes	15,832.35				15,832.35	
Total Deferred Inflows of Resources	<u>15,832.35</u>				<u>15,832.35</u>	
Fund Balances:						
Nonspendable:						
Inventory	65,353.64				65,353.64	
Prepaid Expense	40,045.61				40,045.61	
Long-Term Note Receivable	648,836.57				648,836.57	
Restricted:						
Debt Service		176,975.96		204,182.49	381,158.45	
Capital Improvement Additions				267,634.78	267,634.78	
Library				36,553.41	36,553.41	
Committed:						
Capital Improvement Additions				843,794.88	843,794.88	
Unassigned	1,139,303.61		(349,946.35)	(11,038.34)	778,318.92	
Total Fund Balances	<u>1,893,539.43</u>	<u>176,975.96</u>	<u>(349,946.35)</u>	<u>1,341,127.22</u>	<u>3,061,696.26</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,909,371.78</u>	<u>\$ 629,221.89</u>	<u>\$</u>	<u>\$ 1,435,725.52</u>	<u>\$ 3,974,319.19</u>	

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

**CITY OF BERESFORD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balances - Governmental Funds		\$ 3,061,696.26
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,014,275.28
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.		
Accrued Leave	\$ (66,146.40)	
Financing (Capital Acquisition) Lease	(142,492.90)	
Certificates of Participation	<u>(4,700,000.00)</u>	(4,908,639.30)
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.		72,097.92
Assets such as taxes receivable (delinquent) and special assessments receivable (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.		15,832.35
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		7,881.45
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		808,763.03
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.		<u>(161,914.95)</u>
Net Position- Governmental Funds		<u>\$ 7,909,992.04</u>

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

**CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Major Funds</u>				<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Swimming</u>	<u>Hybrid</u>	<u>Other</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Pool</u>	<u>Turkey</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
		<u>Project</u>				
Revenues:						
Taxes:						
General Property Taxes	\$ 585,992.59	\$	\$	\$	\$	585,992.59
General Sales and Use Taxes	400,758.95			400,758.97		801,517.92
Utility Business Taxes	57,937.33					57,937.33
Amusement Taxes	228.00					228.00
Penalties and Interest on						
Delinquent Taxes	2,582.61					2,582.61
Licenses and Permits	38,038.50					38,038.50
Intergovernmental Revenue:						
State Shared Revenue:						
Bank Franchise Tax	6,202.22					6,202.22
Prorate License Fees	3,541.16					3,541.16
Liquor Tax Reversion	16,237.00					16,237.00
Motor Vehicle Licenses	29,640.66					29,640.66
Local Government Highway and Bridge Fund	31,112.22					31,112.22
Other	3,902.24					3,902.24
County Shared Revenue:						
County Wheel Tax	8,640.67					8,640.67
Charges for Goods and Services:						
Public Safety	1,564.00					1,564.00
Highways and Streets	6,417.22					6,417.22
Culture and Recreation	24,603.66					24,603.66
Fines and Forfeits:						
Court Fines and Costs	149.61					149.61

Miscellaneous Revenue:					
Investment Earnings	5,502.50	6,316.64		4,587.83	16,406.97
Rentals	61,977.50				61,977.50
Contributions & Donations	130.73			4,025.00	4,155.73
Other	32,698.66			13,865.71	46,564.37
Total Revenue	<u>1,317,858.03</u>	<u>6,316.64</u>		<u>423,237.51</u>	<u>1,747,412.18</u>
Expenditures:					
General Government:					
Legislative	50,382.72				50,382.72
Executive	127,902.83				127,902.83
Financial Administration	168,334.36				168,334.36
Other	14,881.86				14,881.86
Total General Government	<u>361,501.77</u>				<u>361,501.77</u>
Public Safety:					
Police	393,793.81				393,793.81
Fire	43,696.41				43,696.41
Total Public Safety	<u>437,490.22</u>				<u>437,490.22</u>
Public Works:					
Highways and Streets	383,637.06				383,637.06
Total Public Works	<u>383,637.06</u>				<u>383,637.06</u>
Health and Welfare:					
Health	2,058.90				2,058.90
Total Health and Welfare	<u>2,058.90</u>				<u>2,058.90</u>
Culture and Recreation:					
Recreation	113,051.12				113,051.12
Parks	117,401.73				117,401.73
Community Subsidies	59,550.00				59,550.00
Libraries	193,688.93			6,340.57	200,029.50
Total Culture and Recreation	<u>483,691.78</u>			<u>6,340.57</u>	<u>490,032.35</u>

CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Major Funds</u>				<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Swimming Pool Project</u>	<u>Hybrid Turkey Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
Conservation and Development:						
Economic Development and Assistance (Industrial Development)	18,212.97				18,212.97	
Total Conservation and Development	<u>18,212.97</u>				<u>18,212.97</u>	
Debt Service	271,249.71			368,360.03	639,609.74	
Capital Outlay	<u>251,807.22</u>	<u>1,981,183.56</u>	<u>349,946.35</u>		<u>2,582,937.13</u>	
Total Expenditures	<u>2,209,649.63</u>	<u>1,981,183.56</u>	<u>349,946.35</u>	<u>374,700.60</u>	<u>4,915,480.14</u>	
Excess of Revenue Over (Under) Expenditures	(891,791.60)	(1,974,866.92)	(349,946.35)	48,536.91	(3,168,067.96)	
Other Financing Sources (Uses):						
Transfers In	765,000.00	44,902.18		416,809.87	1,226,712.05	
Transfers (Out)				(416,809.87)	(416,809.87)	
Sales of Municipal Property	25,000.00				25,000.00	
Compensation for Loss or Damage to Capital Asset	<u>1,274.00</u>				<u>1,274.00</u>	
Total Other Financing Sources (Uses)	<u>791,274.00</u>	<u>44,902.18</u>			<u>836,176.18</u>	
Net Change in Fund Balances	(100,517.60)	(1,929,964.74)	(349,946.35)	48,536.91	(2,331,891.78)	
Fund Balance - Beginning	<u>1,994,057.03</u>	<u>2,106,940.70</u>		<u>1,292,590.31</u>	<u>5,393,588.04</u>	
FUND BALANCE - ENDING	<u>\$ 1,893,539.43</u>	<u>\$ 176,975.96</u>	<u>\$ (349,946.35)</u>	<u>\$ 1,341,127.22</u>	<u>\$ 3,061,696.26</u>	

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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (2,331,891.78)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 2,127,672.13

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 226,408.30

Governmental funds report the effect of gains and losses when debt is refunded, whereas these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period. (10,034.97)

In the statement of activities, gains and losses on refunding debt are reported, whereas, in the governmental funds, the proceeds and payments of refunding debt are reflected, regardless of whether a gain or loss is realized. (58,576.80)

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures. (1,708.29)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 280,360.56

Change in Net Position of Governmental Activities \$ 232,229.15

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

CITY OF BERESFORD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Enterprise Funds							Totals	
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision		Golf Course
ASSETS:									
Current Assets:									
Cash and Cash Equivalents	\$ 183,393.36	\$ 223,756.79	\$ 574,256.88	\$ 155,582.61	\$ 202,439.13	\$ 119,792.83	\$ 44,100.09	\$	\$ 1,503,321.69
Accounts Receivable, Net	602.75	50,427.66	320,017.82	34,372.83	175,071.38	20,576.64	23,061.61		624,130.69
Due from Other Funds			83,559.96		434,212.40				517,772.36
Inventory of Supplies		52,252.33	606,905.59	18,734.70	28,148.79		19,260.60		725,302.01
Inventory of Stores Purchased for Resale	29,700.24				353.92			18,818.14	48,872.30
Prepaid Expenses	6,601.38	6,714.84	16,127.63	3,973.33	20,422.70	1,031.25		7,219.23	62,090.36
Investments-CDs		86,096.37			1,017,615.17				1,103,711.54
Total Current Assets	220,297.73	419,247.99	1,600,867.88	212,663.47	1,878,263.49	141,400.72	86,422.30	26,037.37	4,585,200.95
Noncurrent Assets:									
Restricted Investments			183,943.01						183,943.01
Joint Venture Investment					89,490.00				89,490.00
Deposits					14,171.89				39,811.25
Capital Assets:									
Land	18,200.00	4,886.00	22,249.94	19,000.00	15,300.00	62,930.82		301,267.92	443,834.68
Buildings	147,249.55	1,069,484.25	218,654.18		322,853.54	65,344.70		1,522,624.34	3,346,210.56
Improvements Other Than Buildings		4,100,571.48	6,299,810.83	4,673,828.88		51,194.78	585,265.85	1,743,568.50	17,454,240.32
Machinery and Equipment	35,963.89	77,320.33	1,332,904.69	152,373.84	5,065,588.30	27,729.72	328,486.34	273,349.97	7,293,717.08
Less: Accumulated Depreciation	(171,452.41)	(2,104,193.18)	(4,345,769.09)	(1,260,791.45)	(4,468,187.49)	(85,606.84)	(828,621.49)	(880,608.81)	(14,145,230.76)
Intangible Assets	29,961.03	4,662,735.04	3,737,432.92	3,584,411.27	1,039,216.24	121,593.18	85,130.70	2,960,201.92	1,514,666.16
Total Noncurrent Assets	250,258.76	5,081,983.03	5,338,300.80	3,797,074.74	2,917,479.73	262,983.90	171,553.00	2,986,239.29	20,805,883.25
TOTAL ASSETS									
DEFERRED OUTFLOWS OF RESOURCES:									
Deferred Charge on Refunding									36,363.62
TOTAL DEFERRED OUTFLOWS OF RESOURCES									36,363.62

Enterprise Funds

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision	Golf Course	Totals
LIABILITIES:									
Current Liabilities:									
Accounts Payable					4,206.99				4,206.99
Accrued Taxes Payable	1,971.51		16,269.12		4,419.21	917.83	2,224.99	1,599.08	27,401.74
Due to Other Funds								153,497.33	153,497.33
Customer Deposits			25,710.00		14,410.00				40,120.00
Bonds Payable Current		122,840.23	155,000.00	29,317.42					307,157.65
Leases Payable Current			101,997.10						126,649.50
Accrued Leave Payable - Current	7,047.55	13,607.91	27,689.55	10,898.81	46,394.96			22,565.28	128,204.06
Total Current Liabilities	9,019.06	136,448.14	326,665.77	40,216.23	69,431.16	917.83	2,224.99	202,314.09	787,237.27
Noncurrent Liabilities:									
Bonds Payable		1,698,625.17	820,000.00	1,254,510.27					3,773,135.44
Leases Payable			105,974.62					78,715.67	184,690.29
Total Noncurrent Liabilities		1,698,625.17	925,974.62	1,254,510.27				78,715.67	3,957,825.73
Total Liabilities	9,019.06	1,835,073.31	1,252,640.39	1,294,726.50	69,431.16	917.83	2,224.99	281,029.76	4,745,063.00
NET POSITION:									
Net Investment in Capital									
Assets	29,961.03	2,841,269.64	2,308,515.21	2,300,583.58	935,554.35	121,593.18	85,130.70	2,856,833.85	11,479,441.54
Restricted for:									
Revenue Bond for Debt Service			185,500.00						185,500.00
Unrestricted Net Position	211,278.67	405,640.08	1,628,008.82	201,764.66	1,912,494.22	140,482.89	84,197.31	(151,624.32)	4,432,242.33
Total Net Position	\$ 241,239.70	\$ 3,246,909.72	\$ 4,122,024.03	\$ 2,502,348.24	\$ 2,848,048.57	\$ 262,076.07	\$ 169,328.01	\$ 2,705,209.53	\$ 16,097,183.87

CITY OF BERESFORD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds							Totals	
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision		Golf Course
Operating Revenue:									
Charges for Goods and Services	\$ 325,407.04	\$	\$	\$	\$ 1,561,155.41	\$ 196,051.95	\$ 405,867.00	\$ 465,152.09	\$ 2,953,633.49
Charges for Goods and Services (Revenue Securing Debt Issues)	6,545.67	609,323.94	3,545,993.79	306,180.04					4,461,497.77
Miscellaneous	331,952.71	9,751.70	3,545,993.79	306,180.04	1,561,155.41	196,051.95	49,862.32	19,364.72	85,524.41
Total Operating Revenue	<u>331,952.71</u>	<u>619,075.64</u>	<u>3,545,993.79</u>	<u>306,180.04</u>	<u>1,561,155.41</u>	<u>196,051.95</u>	<u>455,729.32</u>	<u>484,516.81</u>	<u>7,500,655.67</u>
Operating Expenses:									
Personal Services	96,614.28	116,255.41	441,494.33	111,191.03	536,274.83	22,269.58	426,418.49	250,415.91	2,000,933.86
Other Current Expense	57,217.24	219,966.62	100,407.74	33,482.40	315,208.96	11,100.38	5,992.25	169,272.47	912,648.06
Materials (Cost of Goods Sold)	190,785.54	36,944.91	2,053,099.71	61,818.56	145,918.61	131,133.07	20,576.66	179,297.80	2,819,574.86
Amortization	1,843.64	36,063.48	7,272.73						43,336.21
Depreciation	346,460.70	76,595.06	330,573.49	103,972.63	150,256.87	3,435.73	15,052.65	104,341.27	786,071.34
Total Operating Expenses	<u>346,460.70</u>	<u>485,825.48</u>	<u>2,932,848.00</u>	<u>310,484.62</u>	<u>1,147,659.27</u>	<u>167,938.76</u>	<u>468,040.05</u>	<u>703,327.45</u>	<u>6,562,564.33</u>
Operating Income (Loss)	(14,507.99)	133,250.16	613,145.79	(4,284.58)	413,496.14	28,113.19	(12,310.73)	(218,810.64)	938,091.34
Nonoperating Revenue (Expense):									
Operating Grants	399.96	40,517.00							40,517.00
Investment Earnings		333.86	354.57	166.93	29,613.87	166.90	33.58		31,069.67
Gain/Loss on Investments			(2,200.47)						(2,200.47)
Gain/Loss on Sale of Fixed Assets		(51,331.34)	(28,012.03)	(41,725.80)				(10,551.60)	(10,551.60)
Interest Expense & Fiscal Charges	399.96	(10,480.48)	(29,857.93)	(41,558.87)	29,613.87	166.90	33.58	(10,551.60)	(121,069.17)
Total Nonoperating Revenue (Expense)	<u>399.96</u>	<u>(10,480.48)</u>	<u>(29,857.93)</u>	<u>(41,558.87)</u>	<u>29,613.87</u>	<u>166.90</u>	<u>33.58</u>	<u>(10,551.60)</u>	<u>(62,234.57)</u>
Income (Loss) Before Transfers	(14,108.03)	122,769.68	583,287.86	(45,843.45)	443,110.01	28,280.09	(12,277.15)	(229,362.24)	875,856.77
Transfers (Out)			(400,000.00)		(379,902.18)	(30,000.00)			(809,902.18)
Change in Net Position	(14,108.03)	122,769.68	183,287.86	(45,843.45)	63,207.83	(1,719.91)	(12,277.15)	(229,362.24)	65,954.59
Net Position - Beginning	255,347.73	3,124,140.04	3,938,736.17	2,548,191.69	2,784,840.74	263,795.98	181,605.16	2,934,571.77	16,031,229.28
Adjusted Net Position - Beginning	255,347.73	3,124,140.04	3,938,736.17	2,548,191.69	2,784,840.74	263,795.98	181,605.16	2,934,571.77	16,031,229.28
NET POSITION - ENDING	<u>\$ 241,239.70</u>	<u>\$ 3,246,909.72</u>	<u>\$ 4,122,024.03</u>	<u>\$ 2,502,348.24</u>	<u>\$ 2,848,048.57</u>	<u>\$ 262,076.07</u>	<u>\$ 169,328.01</u>	<u>\$ 2,705,209.53</u>	<u>\$ 16,097,183.87</u>

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, 2017**

	Enterprise Funds							Totals	
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Telephone Fund	Garbage Fund	Cablevision Fund		Golf Course Fund
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash Receipts from Customers	\$ 325,056.78	\$ 597,116.66	\$ 3,410,332.33	\$ 301,382.85	\$ 1,509,720.99	\$ 192,778.36	\$ 396,913.65	\$ 465,971.08	\$ 7,199,272.70
Internal Activity-Receipts from Other Funds	(96,443.71)	11,660.70	113,264.71	4,458.41	(536,187.72)	3,348.00	(426,418.49)	(249,402.75)	132,731.82
Cash Payments to Employees for Services	(239,601.06)	(253,162.88)	(2,133,696.46)	(97,834.89)	(439,073.81)	(140,699.03)	(31,343.41)	(345,510.65)	(3,680,922.19)
Cash Payments to Suppliers of Goods and Services	(7,952.36)	(11,349.82)	(7,909.69)	(3,153.28)	(23,559.20)	(1,628.17)	49,862.32	(8,780.82)	(64,333.34)
Other Cash Receipts	6,545.67	9,751.70						19,364.72	85,524.41
Net Cash Provided (Used) by Operating Activities	(12,394.68)	237,760.95	942,090.18	93,677.42	510,900.26	31,529.58	(10,985.93)	(118,358.42)	1,674,219.36
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Interfund Loans					(434,212.40)			153,497.33	(364,275.03)
Operating Subsidies		40,517.00	(83,559.96)						40,517.00
Operating Transfers Out			(400,000.00)		(379,902.18)	(30,000.00)		(11,264.98)	(821,167.16)
Net Cash (Used) by Noncapital Financing Activities		40,517.00	(483,559.96)		(814,114.58)	(30,000.00)		142,232.35	(1,144,925.19)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Purchase of Capital Assets		(11,583.07)	(562,321.96)	(4,615.00)	(56,504.49)			(127,242.00)	(762,266.52)
Principal Paid on Capital Debt		(124,047.34)	(260,108.00)	(28,008.78)				(23,873.93)	(436,038.05)
Proceeds of Long Term Debt Issued		41,171.00	318,079.72	74,346.00				127,242.00	560,838.72
Interest Paid on Capital Debt		(51,331.34)	(28,012.03)	(41,725.80)					(121,069.17)
Net Cash (Used) by Capital and Related Financing Activities		(145,790.75)	(532,362.27)	(3.58)	(56,504.49)			(23,873.93)	(758,535.02)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Change in Investments			(1,143.48)		27,241.21				26,097.73
Interest Earnings	399.96	333.86	354.57	166.93	29,613.87	166.90	33.58		31,089.67
Net Cash Provided by Investing Activities	399.96	333.86	(788.91)	166.93	56,855.08	166.90	33.58		57,167.40
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (11,994.72)	\$ 132,821.06	\$ (74,620.96)	\$ 93,840.77	\$ (302,863.73)	\$ 1,696.48	\$ (10,952.35)	\$ (0.00)	\$ (172,073.45)

Cash and Cash Equivalents at Beginning of Year	\$195,388.08	\$ 177,032.10	\$674,517.20	\$ 61,741.84	\$ 519,474.75	\$ 118,096.35	\$ 55,052.44	\$ 0.00	\$ 1,801,302.76
Cash and Cash Equivalents at End of Year	<u>183,393.36</u>	<u>309,853.16</u>	<u>599,896.24</u>	<u>155,582.61</u>	<u>216,611.02</u>	<u>119,792.83</u>	<u>44,100.09</u>		<u>1,629,229.31</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (11,994.72)	\$ 132,821.06	\$ (74,620.96)	\$ 93,840.77	\$ (302,863.73)	\$ 1,696.48	\$ (10,952.35)	\$ 0.00	\$ (172,073.45)

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

Operating Income (Loss)	\$ (14,507.99)	\$ 133,250.16	\$ 613,145.79	\$ (4,284.58)	\$ 413,496.14	\$ 28,113.19	\$ (12,310.73)	\$ (218,810.64)	\$ 938,091.34
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:									
Depreciation/Amortization Expense	1,843.64	112,658.54	337,846.22	103,972.63	150,256.87	3,435.73	15,052.65	104,341.27	829,407.55
Change in Assets and Liabilities:									
Receivables		(546.58)	(19,502.14)	(338.78)	(50,353.51)	75.84	(8,864.55)	(4,616.32)	(79,529.72)
Inventories	1,315.06	(8,959.56)	10,430.76	(5,273.73)	(4,442.29)		(4,774.50)		(16,320.58)
Prepaid Expenses	643.66	1,358.39	1,470.54	(413.48)	288.65	(93.75)			2,129.13
Accounts and Other Payables	(1,509.36)				2,668.20				1,158.84
Sales Tax Payable	(350.26)		(1,414.61)		(30.91)	(1.43)	(88.80)	818.99	(1,067.02)
Accrued Leave Payable	170.57		1,593.62	15.36	87.11			1,013.16	2,879.82
Customer Deposits			(1,480.00)		(1,050.00)				(2,530.00)
Net Cash Provided (Used) by Operating Activities	\$ (12,394.68)	\$ 237,760.95	\$ 942,090.18	\$ 93,677.42	\$ 510,900.26	\$ 31,529.58	\$ (10,985.93)	\$ (118,358.42)	\$ 1,674,219.36

Noncash Investing, Capital and Financing Activities:
Gain/Loss on Investments

\$ 27,241.21

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

CITY OF BERESFORD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

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

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

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

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Additional Sales Tax Fund – to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, and debt retirement (Ordinance #02-2005). This is not a major fund.

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

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

The Community Center and Clubhouse Debt Service Fund – to account for the required restricted cash and payments related to debt principal, interest and related costs of the community center and clubhouse bond issue. This is not a major fund.

Tax Increment Debt Service Fund #2 – to account for special assessments taxes, which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

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

The Swimming Pool Project Fund – to account for the financial resources to be used for the construction of a new swimming pool for the community. This is a major fund.

The FEMA Saferoom/Bathhouse Fund – to account for the financial resources to be used for the use of FEMA funds for a Saferoom/Bathhouse. This is not a major fund.

Hybrid Turkey Fund – to account for the financial resources to be used for the construction of a new commercial turkey hatchery. This is a major fund.

North Industrial Park Project – to account for the financial resources to be used for the improvements needed for the industrial park. This is not a major fund.

Proprietary Funds:

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

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

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

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

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

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

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

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

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and

available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Beresford is 30 days. The revenues that were accrued at December 31, 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, 2017 balance of governmental activities capital assets includes approximately 2.21% for which the costs were determined by estimates of original costs. The total of December 31, 2017 balance of business-type capital assets is valued at original cost. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

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

consist of general obligation bonds, 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.

I. 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, 2017

	General Fund	Swimming Pool Project	Hybrid Turkey Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:					
<i>Nonspendable:</i>					
Inventory	\$ 65,353.64	\$	\$	\$	\$ 65,353.64
Prepaid Expenses	40,045.61				40,045.61
Long-Term Note Receivable	648,836.57				648,836.57
<i>Restricted for:</i>					
Debt Service				204,182.49	204,182.49
Capital Improvement and Debt Service		176,975.96		267,634.78	444,610.74
Library				36,553.41	36,553.41
<i>Committed</i>					
Capital Improvement Additions				843,794.88	843,794.88
<i>Unassigned</i>	<u>1,139,303.61</u>	<u> </u>	<u>(349,946.35)</u>	<u>(11,038.34)</u>	<u>778,318.92</u>
Total Fund Balances	<u>\$ 1,893,539.43</u>	<u>\$ 176,975.96</u>	<u>\$ (349,946.35)</u>	<u>\$ 1,341,127.22</u>	<u>\$ 3,061,696.26</u>

o. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. 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 Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified

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, 2017:

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, 2017, the City had the following investments, not including certificates of deposits.

<u>Fund</u>	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Electric	U.S. Treasury Notes	12/31/19	\$ 183,036.94
Second Penny	U.S. Treasury Notes	02/28/21	160,456.07
Community Center	U.S. Treasury Notes	11/30/18	<u>122,399.39</u>
Subtotal			465,892.40
	SDFIT-		
External Investment Pools	Government Cash		
	Reserves	N/A	<u>2,050,791.21</u>
Total Investments			<u>\$ 2,516,683.61</u>

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

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

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

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

Note 3 – Restricted Cash and Investments

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

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Additonal Sales Tax	\$ 163,189.72	Debt Service, by debt covenants
Community Center	124,408.59	Debt Service, by debt covenants
Swimming Pool	316,954.73	Debt Service, by debt covenants
Electric Fund	183,943.01	Debt Service, by debt covenants

Note 4 – Receivables and Payables

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

Note 5 – Inventory

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Note 6 – Property Taxes

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

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

Note 7 – Changes in Capital Assets

Governmental Activities	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital Assets Not Being Depreciated:				
Land	\$ 570,544.92	\$	\$	\$ 570,544.92
Construction Work in Process	<u>1,092,833.79</u>	<u>2,331,129.91</u>	<u>(3,074,017.35)</u>	<u>349,946.35</u>
Total Capital Assets, not being	<u>1,663,378.71</u>	<u>2,331,129.91</u>	<u>(3,074,017.35)</u>	<u>920,491.27</u>
Capital Assets Being Depreciated:				
Buildings	3,013,544.58	49,564.73		3,063,109.31
Improvements Other than Buildings	4,275,852.05	3,074,017.35		7,349,869.40
Machinery and Equipment	2,213,951.05	183,203.00	(122,035.00)	2,275,119.05
Library Books	<u>294,317.55</u>	<u>19,039.49</u>	<u>(5,554.40)</u>	<u>307,802.64</u>
Total Being Depreciated	<u>9,797,665.23</u>	<u>3,325,824.57</u>	<u>(127,589.40)</u>	<u>12,995,900.40</u>
Less Accumulated Depreciation for:				
Building	(928,245.76)	(97,133.68)		(1,025,379.44)
Improvements Other than Buildings	(2,030,157.28)	(216,987.27)		(2,247,144.55)
Machinery and Equipment	(1,515,136.05)	(125,754.80)	63,458.20	(1,577,432.65)
Library Books	<u>(42,324.90)</u>	<u>(15,389.25)</u>	<u>5,554.40</u>	<u>(52,159.75)</u>
Total Accumulated Depreciation	<u>(4,515,863.99)</u>	<u>(455,265.00)</u>	<u>69,012.60</u>	<u>(4,902,116.39)</u>
Total Governmental Activities Capital Assets, net	<u>\$ 6,945,179.95</u>	<u>\$ 5,201,689.48</u>	<u>\$ (3,132,594.15)</u>	<u>\$ 9,014,275.28</u>
Depreciation Expense was charged to functions as follows:				
General Government				\$ 27,315.90
Public Safety				109,263.60
Public Works				195,763.95
Culture and Recreation				<u>122,921.55</u>
Total Depreciation Expense-Governmental				<u>\$ 455,265.00</u>

Construction Work in Progress at December 31, 2017 is composed of the following:

<u>Project Name</u>	<u>Amount Authorized</u>	<u>Expended thru 12/31/17</u>	<u>Committed</u>
<i>Governmental</i>			
Hybrid Turkey Sewer & Water Extension	<u>\$ 361,780.15</u>	<u>\$ 349,946.35</u>	<u>\$ 11,833.80</u>

Business - Type Activities:	Balance 01/01/17	Increases	Decreases	Balance 12/31/17
Capital Assets Not Being Depreciated				
Land	\$ 443,834.68	\$	\$	\$ 443,834.68
Total Capital Assets, not being depreciated	443,834.68			443,834.68
Capital Assets Being Depreciated:				
Buildings	3,346,210.56			3,346,210.56
Improvements Other than Buildings	16,679,162.23	189,812.24		16,868,974.47
Machinery and Equipment	1,725,884.61	520,949.79	(92,105.39)	2,154,729.01
Outside Plant	585,265.85			585,265.85
Head End Equipment	289,727.84			289,727.84
General Support Assets	262,427.04	20,726.65		283,153.69
Central Office Switching	1,708,788.50			1,708,788.50
Central Office Transmission	780,155.31	29,397.18		809,552.49
Origination and Termination	87,709.39			87,709.39
Cable and Wire (Restated)	1,958,675.50	1,380.66		1,960,056.16
Total Being Depreciated	27,424,006.83	762,266.52	(92,105.39)	28,094,167.96
Less Accumulated Depreciation for:				
Buildings	(1,778,195.81)	(51,790.46)		(1,829,986.27)
Improvements Other than Buildings	(5,731,505.56)	(363,825.15)		(6,095,330.71)
Machinery and Equipment	(1,122,799.51)	(237,209.84)	81,553.79	(1,278,455.56)
Outside Plant	(495,194.54)	(12,832.26)		(508,026.80)
Head End Equipment	(280,015.87)	(2,153.71)		(282,169.58)
General Support Assets	(246,875.01)	(11,048.35)		(257,923.36)
Central Office Switching	(1,515,856.88)	(44,866.97)		(1,560,723.85)
Central Office Transmission	(681,841.97)	(34,139.82)		(715,981.79)
Origination and Termination	(87,709.39)			(87,709.39)
Cable and Wire	(1,500,718.66)	(28,204.78)		(1,528,923.44)
Total Accumulated Depreciation	(13,440,713.20)	(786,071.34)	81,553.79	(14,145,230.75)
Total Business-Type Activities Capital Assets, net	\$ 14,427,128.31	\$ (23,804.82)	\$ (10,551.60)	\$ 14,392,771.89
Depreciation expense was charged to functions as follows:				
Liquor				\$ 1,843.64
Water				76,595.06
Electric				330,573.49
Sanitary Sewer				103,972.63
Telephone				150,256.87
Solid Waste				3,435.73
Cablevision				15,052.65
Golf Course				104,341.27
Total Depreciation Expense- Business-type Activities				\$ 786,071.34
Other Assets:				
Other Assets-Lewis & Clark Water Rights	\$ 1,550,729.64	\$	\$ (36,063.48)	\$ 1,514,666.16

Note 8 – Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance <u>01/01/17</u>	<u>Additions</u>	<u>Retired</u>	Ending Balance <u>12/31/17</u>	Due within <u>One Year</u>
Primary Government:					
Governmental Activities:					
SDRS Pension Liability	\$ 312,467.73	\$	\$ 312,467.73	\$	\$
Certificates of Participation	4,915,000.00		215,000.00	4,700,000.00	215,000.00
Financing (Capital Acquisition) Lease	153,901.20		11,408.30	142,492.90	73,909.60
Accrued Compensated Absences	64,438.11	66,146.40	64,438.11	66,146.40	52,917.12
Total Governmental Activities	\$ 5,445,807.04	\$ 66,146.40	\$ 603,314.14	\$ 4,908,639.30	\$ 341,826.72
Business-Type Activities:					
General Obligation Bonds	\$ 1,165,000.00	\$	\$ 105,000.00	\$ 1,060,000.00	\$ 105,000.00
Certificates of Participation	1,125,000.00		150,000.00	975,000.00	155,000.00
Accrued Compensated Absences	125,324.24	128,204.06	125,324.24	128,204.06	128,204.06
State Revolving Funds	1,976,832.20	115,517.00	47,056.11	2,045,293.09	47,157.65
Financing (Capital Acquisition) Lease		127,242.00	23,873.93	103,368.07	24,652.40
Notes Payable		318,079.72	110,108.00	207,971.72	101,997.10
Total Business-Type Activities	\$ 4,392,156.44	\$ 689,042.78	\$ 561,362.28	\$ 4,519,836.94	\$ 562,011.21
Total Primary Government	\$ 9,837,963.48	\$ 755,189.18	\$ 1,164,676.42	\$ 9,428,476.24	\$ 903,837.93

Debt payable at December 31, 2017 is comprised of the following:

General Obligation Bonds

Series 2012 General Obligation Bonds for the City's share of Lewis and Clark Rural Water Systems construction costs with interest rates varying from 0.700% to 3.000% depending on time to maturity. The final maturity is in 2026. Payments will be made \$ 1,060,000.00

Certificates of Participation

2013 Certificate of Participation for Community Center/Clubhouse with varying interest rates of 0.95 to 2.7% depending on length to maturity. Final maturity December 2026. Payments made from Community Center/Clubhouse Debt Service Fund. 950,000.00

2012 Certificate of Participation for Bridges Golf Course with varying interest rates of 0.950% to 3.250% depending on time to maturity. Final maturity January 1, 2024. Payments made from Additional Sales Tax Fund 860,000.00

2012 Certificate of Participation for Electrical Equipment with varying interest rates of 0.750% to 3.100% depending on time to maturity. Final maturity December 1, 2023. Payments made from Electric Fund 975,000.00

2016 Certificate of Participation for Swimming Pool Construction with varying interest rates of 2.5% to 4% depending on time to maturity. Final maturity December 1, 2035. Payments made from Additional Sales Tax Fund. 2,890,000.00

Financing (Capital Acquisition) Leases

Canon Copier Lease with no stated interest rate. Final Maturity April 10, 2021. Payments made monthly from the General Fund. 7,434.00

Volvo Wheel Loader Lease with KS State Bank. Interest rate of .5%. Final Maturity date of January 15, 2019. Payments made from General Fund.	135,058.90
2017 Freightliner Bucket Truck Lease with ALTEC Capital Services, L.L.C. Interest rate of 3.9%. Final Maturity date of May 1, 2019. Payments made from Electric Fund.	207,971.72
Toro Riding Real Mower, Riding Rotary Mower, & Bunker Rake Lease with Wells Fargo Bank. Interest rate of 3.106%. Final Maturity date of January 2021. Payments made from Golf Course Fund.	103,368.07
<u>State Revolving Fund (SRF) Loans</u>	
2013 Clean Water Bonds with the interest rate of 3.25%. Final maturity April 15, 2044. Payments made from Sewer Fund.	1,283,827.69
2013 Drinking Water Bonds with the interest rate of 3%. Final maturity April 15, 2044. Payments made from Water Fund.	761,465.40
<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.	
Governmental Accrued Leave	66,146.40
Enterprise Accrued Leave	128,204.06

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

	<u>Volvo Wheel Loader</u>	<u>Copier Lease</u>	<u>Bucket Truck</u>	<u>3 Mowers</u>
Principal	\$ 150,164.50	\$ 10,620.00	\$ 318,079.72	\$ 127,242.00
Interest	5,614.70		12,244.28	8,390.56
Total	<u>\$ 155,779.20</u>	<u>\$ 10,620.00</u>	<u>\$ 330,324.00</u>	<u>\$ 135,632.56</u>

The annual requirements to amortize all debt outstanding as of December 31, 2017, except for compensated absences and SDRS pension liabilities, are as follows:

Governmental Activities:

Year Ending Dec 31,	Financing (Capital Acquisition) Leases		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 73,910	\$ 3,214	\$ 215,000	\$ 146,975	\$ 288,910	\$ 150,189
2019	65,397	1,506	215,000	142,455	280,397	143,961
2020	2,124		225,000	137,560	227,124	137,560
2021	1,062		235,000	132,135	236,062	132,135
2022			240,000	125,875	240,000	125,875
2023-2027			1,110,000	540,729	1,110,000	540,729
2028-2032			1,455,000	353,213	1,455,000	353,213
2033-2037			1,005,000	81,600	1,005,000	81,600
TOTAL	<u>\$ 142,493</u>	<u>\$ 4,720</u>	<u>\$ 4,700,000</u>	<u>\$ 1,660,542</u>	<u>\$ 4,842,493</u>	<u>\$ 1,665,262</u>

Business-Type Activities:

Year Ending Dec 31,	General Obligation Bonds		Certificates of Participation		State Revolving Loans		Financing (Capital Acquisition) Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 105,000	\$ 26,095	\$ 155,000	\$ 26,027	\$ 47,158	\$ 64,014	\$ 126,649	\$ 10,585	\$ 433,807	\$ 126,721
2019	110,000	24,362	155,000	22,773	48,663	62,508	131,404	5,831	445,067	115,474
2020	110,000	22,272	160,000	19,130	50,217	60,954	26,230	896	346,447	103,252
2021	115,000	19,908	165,000	14,650	51,821	59,351	27,057	70	358,878	93,979
2022	120,000	17,205	170,000	10,030	53,476	57,696			343,476	84,931
2023-2027	500,000	36,718	170,000	5,270	294,115	261,744			964,115	303,732
2028-2032					344,189	211,670			344,189	211,670
2033-2037					402,803	153,056			402,803	153,056
2038-2042					471,415	84,444			471,415	84,444
2043-2047					281,436	15,056			281,436	15,056
TOTAL	\$ 1,060,000	\$ 146,560	\$ 975,000	\$ 97,880	\$ 2,045,293	\$ 1,030,493	\$ 311,340	\$ 17,382	\$ 4,391,633	\$ 1,292,315

Utilities Revenues Pledged:

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

The water fund will repay \$1,600,000 in water system bonds issued in March 2012. Proceeds from the bonds provided financing for the City's share of Lewis and Clark Rural Water Systems construction costs. The bonds are payable solely from water customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 35 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,206,560.00. Principal and interest paid for the current year and total customer net revenues were \$132,355.00 and \$609,323.94, respectively.

The electric fund will repay \$1,855,000 in electric system bonds issued in March 2012. Proceeds from the bonds provided financing for improvements on the City's electric utility system. The bonds are payable solely from electric customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require 9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,072,880.00. Principal and interest paid for the current year and total customer net revenues were \$178,502.50 and \$3,545,993.79, respectively.

Note 9 – Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2017 were:

Fund	Interfund Receivables	Interfund Payables
Telephone Fund	\$ 434,212.40	\$
Electric Fund	83,559.96	
Community Center & Clubhouse Fund		83,559.96
FEMA Saferoom		11,038.34
Hybrid Turkey Fund		269,676.73
Golf Course Fund		153,497.33
Total	\$ 517,772.36	\$ 517,772.36

The Telephone Fund loaned monies to the Hybrid Turkey, FEMA Saferoom, and Golf Course Funds to cover temporary cash shortages. The City Council plans to transfer funds to cover these shortages before December 31, 2018.

Note 10 – Restricted Net Position

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

	<u>Total</u>
Major Purposes	
Capital Improvement Purposes	\$ 1,111,429.66
Library Purposes	36,553.41
SDRS Pension Purposes	654,729.53
Debt Service Purposes	<u>204,182.49</u>
Total Restricted Net Position	<u>\$ 2,006,895.09</u>

These balances are restricted due to federal grant and statutory requirements

Note 11 – Interfund Transfers

Interfund Transfers for the year ended December 31, 2017 were as follows:

	<u>Transfer from:</u>			
<u>Transfer to:</u>	Sanitary Sewer Project	Telephone	Electric	Garbage
Swimming Pool	\$	\$ 44,902.18	\$	\$
FEMA Safehouse	416,809.87			
General Fund		<u>335,000.00</u>	<u>400,000.00</u>	<u>30,000.00</u>
Total	<u>\$ 416,809.87</u>	<u>\$ 379,902.18</u>	<u>\$ 400,000.00</u>	<u>\$ 30,000.00</u>

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

The City transferred cash to cover cash shortages.

Note 12 - Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$104,994.68, \$105,936.31, and \$100,390.02, 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, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2017 are as follows:

Proportionate share of pension liability	\$ 10,104,605.12
Less proportionate share of net pension restricted for pension benefits	<u>10,112,486.57</u>
Proportionate share of net pension asset	<u>\$ (7,881.45)</u>

At December 31, 2017, the City reported an asset of \$7,881.45 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City's proportion was .08684690%, which is a decrease of .0056566% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense (revenue) of (\$280,360.56). At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 126,282.43	\$
Changes in assumption	611,945.26	
Net difference between projected and actual earnings on pension plan investments		151,528.62
Changes in proportion and difference between City contributions and proportionate share of contributions	18,694.70	10,386.33
City contributions subsequent to the measurement date	<u>51,840.64</u>	
TOTAL	<u>\$ 808,763.03</u>	<u>\$ 161,914.95</u>

\$51,840.64 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 asset in the year ending December 31, 2018. 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:	
2018	\$ 159,128.81
2019	267,141.87
2020	196,415.80
2021	<u>(35,987.43)</u>
TOTAL	<u>\$ 586,699.05</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50. 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 6.50, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 1,443,485.41	\$ (7,881.45)	\$ (1,189,766.05)

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 South Dakota Network, a fiber optic ring encompassing the state for communications transmission.

The network is a revenue pooling arrangement in which revenues are derived based on the amount of usage of the system. The City invested in the network based on its usage for the year ended December 31, 1998, and the number of lines in existence on December 31, 1998. The City of Beresford's investment in the network is \$89,490.00. The City received \$57,480.10 in revenue distributions from this investment during 2017.

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

The following is the percentage of stock ownership as of December 31, 2017.

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

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

Note 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, 2017, the City managed its risks as follows:

Employee Health Insurance:

The City purchases employee health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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.

During the year ended December 31, 2017, one claim for unemployment benefits was paid. At December 31, 2017, one claim had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 15 – 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 overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u>
<u>General Fund</u>	
General Government:	
Financial Administration \$	7,532.36
Other	20,465.59
Debt Service	271,249.71

The Governing Board plans to take the following actions to address these violations: In the future, the Municipality will adopt a supplemental budget when necessary.

Note 16 – Component Unit Notes Receivable

In August of 2014, the City of Beresford issued a loan to BEDCO in the amount of \$665,000 for development and construction of 28 new housing lots on the south end of the Bridges Golf Course on land that was owned by BEDCO. An additional \$200,000 was issued to BEDCO on November 4, 2015 to complete the next phase which included three more lots. The remaining amount due on this note as of December 31, 2017 is \$648,836.57.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 586,658.00	\$ 586,658.00	\$ 585,992.59	\$ (665.41)
General Sales and Use Taxes	405,000.00	405,000.00	400,758.95	(4,241.05)
Utility Taxes	50,000.00	50,000.00	57,937.33	7,937.33
Amusement Taxes	300.00	300.00	228.00	(72.00)
Penalties and Interest	2,000.00	2,000.00	2,582.61	582.61
Licenses and Permits	14,700.00	14,700.00	38,038.50	23,338.50
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	4,500.00	4,500.00	6,202.22	1,702.22
Prorate License Fees			3,541.16	3,541.16
Liquor Tax Reversion	14,000.00	14,000.00	16,237.00	2,237.00
Motor Vehicle Licenses (5%)	25,000.00	25,000.00	29,640.66	4,640.66
Local Government Highway and Bridge Fund	27,500.00	27,500.00	31,112.22	3,612.22
Other	4,000.00	4,000.00	3,902.24	(97.76)
County Shared Revenue:				
County HBR Tax (25%)	750.00	750.00		(750.00)
County Wheel Tax	7,500.00	7,500.00	8,640.67	1,140.67
Charges for Goods and Services:				
Public Safety	2,000.00	2,000.00	1,564.00	(436.00)
Highways and Streets	4,300.00	4,300.00	6,417.22	2,117.22
Culture and Recreation	10,000.00	10,000.00	24,603.66	14,603.66
Fines and Forfeits:				
Court Fines and Costs	150.00	150.00	149.61	(0.39)
Miscellaneous Revenue:				
Investment Earnings	5,030.00	5,030.00	5,502.50	472.50
Rentals	63,000.00	63,000.00	61,977.50	(1,022.50)
Contributions & Donations			130.73	130.73
Other	20,400.00	20,400.00	32,698.66	12,298.66
Total Revenue	<u>1,246,788.00</u>	<u>1,246,788.00</u>	<u>1,317,858.03</u>	<u>71,070.03</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF BERESFORD
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	58,290.00	58,290.00	50,382.72	7,907.28
Executive	141,166.00	141,166.00	127,902.83	13,263.17
Financial Administration	160,802.00	160,802.00	168,334.36	(7,532.36)
Other	43,981.00	43,981.00	64,446.59	(20,465.59)
Total General Government	<u>404,239.00</u>	<u>404,239.00</u>	<u>411,066.50</u>	<u>(6,827.50)</u>
Public Safety:				
Police	426,458.00	426,458.00	393,793.81	32,664.19
Fire	46,450.00	46,450.00	43,696.41	2,753.59
Total Public Safety	<u>472,908.00</u>	<u>472,908.00</u>	<u>437,490.22</u>	<u>35,417.78</u>
Public Works:				
Highways and Streets	623,390.00	623,390.00	562,840.06	60,549.94
Total Public Works	<u>623,390.00</u>	<u>623,390.00</u>	<u>562,840.06</u>	<u>60,549.94</u>
Health and Welfare	<u>9,000.00</u>	<u>9,000.00</u>	<u>2,058.90</u>	<u>6,941.10</u>
Culture and Recreation:				
Parks	127,191.00	127,191.00	121,401.73	5,789.27
Recreation	99,025.00	117,025.00	113,051.12	3,973.88
Community Subsidies	62,350.00	62,350.00	59,550.00	2,800.00
Libraries	244,285.00	244,285.00	212,728.42	31,556.58
Total Culture and Recreation	<u>532,851.00</u>	<u>550,851.00</u>	<u>506,731.27</u>	<u>44,119.73</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	46,428.00	46,428.00	18,212.97	28,215.03
Debt Service			271,249.71	(271,249.71)
Contingency	<u>30,000.00</u>	<u>12,000.00</u>		<u>12,000.00</u>
Total Expenditures	<u>2,118,816.00</u>	<u>2,118,816.00</u>	<u>2,209,649.63</u>	<u>(90,833.63)</u>
Excess of Revenue Over (Under) Expenditures	<u>(872,028.00)</u>	<u>(872,028.00)</u>	<u>(891,791.60)</u>	<u>(19,763.60)</u>
Other Financing Sources (Uses):				
Transfers In	840,000.00	840,000.00	765,000.00	(75,000.00)
Sales of Municipal Property			25,000.00	25,000.00
Compensation for Loss or Damage to Capital Asset			1,274.00	1,274.00
Total Other Financing Sources (Uses)	<u>840,000.00</u>	<u>840,000.00</u>	<u>791,274.00</u>	<u>(48,726.00)</u>
Net Change in Fund Balances	(32,028.00)	(32,028.00)	(100,517.60)	(68,489.60)
Fund Balance - Beginning	<u>1,994,057.03</u>	<u>1,994,057.03</u>	<u>1,994,057.03</u>	
FUND BALANCE - ENDING	<u>\$1,962,029.03</u>	<u>\$1,962,029.03</u>	<u>\$1,893,539.43</u>	<u>\$ (68,489.60)</u>

Schedule of Required Supplementary Information

CITY OF BERESFORD

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

South Dakota Retirement System

Last 10 Fiscal Years *

	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.0907358%	0.0885260%	0.0925035%	0.0868469%
City's proportionate share of net pension liability (asset)	\$ (653,714)	\$ (375,464)	\$ 312,468	\$ (7,881)
City's covered-employee payroll	\$ 1,528,067	\$ 1,601,740	\$ 1,684,293	\$ 1,691,493
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-42.78%	-23.44%	18.55%	-0.47%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%

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

Schedule of Required Supplementary Information
CITY OF BERESFORD
SCHEDULE OF THE CITY'S CONTRIBUTIONS
South Dakota Retirement System
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	<u>\$ 96,974</u>	<u>\$ 105,936</u>	<u>\$ 104,995</u>
Contributions in relation to the contractually required contribution	<u>\$ 96,974</u>	<u>\$ 105,936</u>	<u>\$ 104,995</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered-employee payroll	\$1,601,740	\$1,690,379	\$1,671,218
Contributions as a percentage of covered-employee payroll	6.05%	6.27%	6.28%

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

Note 1: Budgets and Budgetary Accounting:

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

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

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

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

Note 2: GAAP/ Budgetary Accounting Basis Differences

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

CITY OF BERESFORD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	Special Revenue		Debt Service		Capital Projects			Total Nonmajor Governmental Funds
	Library Fund	Additional Sales Tax Fund	Community Center		North Industrial Park Project	FEMA Saferoom/ Bathroom Capital Project Fund		
			& Clubhouse Debt Service Fund	Tax Increment Fund #2				
ASSETS:								
Cash and Cash Equivalents	\$ 36,553.41	\$ 832,278.43	\$	\$ 333.86	\$ 267,634.78	\$	\$ 1,136,800.48	
Due From Government		11,326.73					11,326.73	
Restricted Investment		163,189.72	124,408.59				287,598.31	
TOTAL ASSETS	<u>\$ 36,553.41</u>	<u>\$ 1,006,794.88</u>	<u>\$ 124,408.59</u>	<u>\$ 333.86</u>	<u>\$ 267,634.78</u>	<u>\$</u>	<u>\$ 1,435,725.52</u>	
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Due to Other Funds	\$		\$ 83,559.96	\$	\$	\$ 11,038.34	\$ 94,598.30	
Total Liabilities			<u>83,559.96</u>			<u>11,038.34</u>	<u>94,598.30</u>	
Fund Balances:								
Restricted	36,553.41	163,000.00	40,848.63	333.86	267,634.78		508,370.68	
Committed		843,794.88					843,794.88	
Unassigned						(11,038.34)	(11,038.34)	
TOTAL FUND BALANCES	<u>36,553.41</u>	<u>1,006,794.88</u>	<u>40,848.63</u>	<u>333.86</u>	<u>267,634.78</u>	<u>(11,038.34)</u>	<u>1,341,127.22</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,553.41</u>	<u>\$ 1,006,794.88</u>	<u>\$ 124,408.59</u>	<u>\$ 333.86</u>	<u>\$ 267,634.78</u>	<u>\$</u>	<u>\$ 1,435,725.52</u>	

**CITY OF BERESFORD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Special Revenue</u>		<u>Debt Service</u>			<u>Capital Projects</u>		
	Library Fund	Additional Sales Tax Fund	Community Center & Clubhouse Debt Service Fund	Tax Increment Fund #2	North Industrial Park Project	Sanitary Sewer Project	FEMA Saferoom/ Bathhouse Capital Project Fund	Nonmajor Governmental Funds
Revenues:								
Taxes:								
General Sales and Use Taxes		\$ 400,758.97	\$	\$	\$	\$	\$	\$ 400,758.97
Miscellaneous Revenue:								
Investment Earnings	18.47	4,235.50		333.86				4,587.83
Contributions & Donations	4,025.00							4,025.00
Other	13,865.71							13,865.71
Total Revenue	<u>17,909.18</u>	<u>404,994.47</u>		<u>333.86</u>				<u>423,237.51</u>
Expenditures:								
Libraries	6,340.57							6,340.57
Debt Service		284,441.03	83,919.00					368,360.03
Total Expenditures	<u>6,340.57</u>	<u>284,441.03</u>	<u>83,919.00</u>					<u>374,700.60</u>
Excess of Revenue Over (Under)								
Expenditures	11,568.61	120,553.44	(83,919.00)	333.86				48,536.91
Other Financing Sources (Uses):								
Transfer In							416,809.87	416,809.87
Transfer Out						(416,809.87)		(416,809.87)
Total Other Financing Sources (Uses)						(416,809.87)	416,809.87	
Net Change in Fund Balances	11,568.61	120,553.44	(83,919.00)	333.86		(416,809.87)	416,809.87	48,536.91
Fund Balance - Beginning	24,984.80	886,241.44	124,767.63		267,634.78	416,809.87	(427,848.21)	1,292,590.31
Fund Balance - Ending	<u>\$ 36,553.41</u>	<u>\$ 1,006,794.88</u>	<u>\$ 40,848.63</u>	<u>\$ 333.86</u>	<u>\$ 267,634.78</u>	<u>\$</u>	<u>\$ (11,038.34)</u>	<u>\$ 1,341,127.22</u>

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
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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, 2017, 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 29, 2018. 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 2017-001 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 2017-002.

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 29, 2018

**CITY OF BERESFORD
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

PRIOR OTHER AUDIT FINDING:

Prior Other Audit Findings:

The prior audit recommendation 2016-001 has not been corrected and is restated as Current Audit Finding Number 2017-001.

The prior audit recommendation 2016-002 has not been corrected and is restated as Current Audit Finding Number 2017-002.

CURRENT OTHER AUDIT FINDINGS:

Internal Control Related Finding – Material Weakness:

Audit Finding Number 2017-001:

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 2017-002:

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 2017, the expenditures paid from the General Fund exceeded the total amount budgeted for the Financial Administration, General Government (Other), and Debt Service by \$7,532.36, \$20,465.59 and \$271,249.71 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
12/31/17

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.

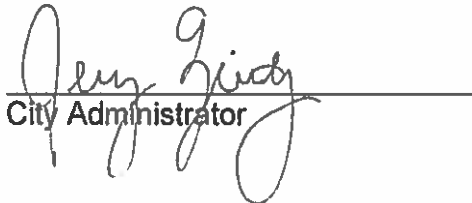
The City of Beresford will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allows.

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