

# **CITY OF BOX ELDER, SOUTH DAKOTA**

INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013



**CASEY PETERSON  
& ASSOCIATES, LTD.**  
CPAs & FINANCIAL ADVISORS

RAPID CITY, SOUTH DAKOTA  
GILLETTE, WYOMING



**City of Box Elder, South Dakota**  
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**December 31, 2013**

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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*

To the Honorable Mayor and City Council  
City of Box Elder, South Dakota  
Box Elder, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Box Elder, South Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Box Elder, South Dakota's basic financial statements and have issued our report thereon dated May 01, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Box Elder, South Dakota'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 City of Box Elder, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Box Elder, South Dakota'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 findings and management's responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and management's responses as items 2013-001, 2013-002 and 2013-003 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Box Elder, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an 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 findings and management's responses as item 2013-003.

### City of Box Elder, South Dakota's Response to Findings,

City of Box Elder, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of management's responses. City of Box Elder, South Dakota'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 on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, LTD". The signature is written in a cursive, flowing style.

Casey Peterson & Associates, LTD

Rapid City, South Dakota

May 01, 2015

**City of Box Elder, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2013**

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Material Weakness

Internal Controls Related to Review of Utility Billing Rates and Utility Bill Adjustments

2013-001 *Condition:* There is a lack of segregation of duties and a lack of oversight of the utility billing function of the City. Adjustments posted to customer accounts by the utility billing clerk are not approved or reviewed. A potential for fraudulent activity exists. Additionally, the utility billing software is not charging customers at the stepped rates established by City ordinance.

*Criteria:* The City should have an internal control system designed to provide for review of adjustments made to customer accounts. Utility customers should be charged at the exact rates established by City ordinance without exception.

*Cause:* The City's billing software is not set up to bill customers at the stepped rates established by City ordinance. Additionally, there is a lack of oversight of the finance staff by the mayor and Council.

*Effect:* A potential for fraudulent activity exists due to the lack of oversight. Additionally, the City is not earning as much revenue as it should be due to the accumulation of small variances in utility bills.

*Auditor's Recommendation:* We recommend that utility adjustments should be reviewed and approved prior to posting by the finance officer. Additionally, the adjustments should be compared to the approvals at the end of each month by the finance officer and presented to the city council at regular meetings. The billing software should be programmed to charge customers at the rates prescribed by City ordinance. If the software is incompatible, rates should be reevaluated and adjusted as needed.

*Management's Response:* The City plans to implement a new software program in 2015 which will be built for the City and should fix the rate variance issues. The City will also evaluate its procedures to provide more oversight of the finance function by the Mayor and Council.

Material Weakness

Internal Controls Related to Drafting Financial Statements

2013-002 *Condition:* The City does not have an internal control system to prepare the financial statements, and therefore, requested their auditors to draft the financial statements and the related notes.

*Criteria:* The City should have an internal control system designed to provide for drafting the financial statements being audited.

*Cause:* The City has a limited staff size and staff does not have training in governmental accounting.

*Effect:* The Town engages their auditor to draft the financial statements and the notes to the financial statements. A potential for fraudulent activity exists due to the lack of oversight.

*Auditor's Recommendation:* As auditors, we were requested to draft the financial statements, and the accompanying notes to the financial statements, which is not uncommon for a City of this size. However, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**City of Box Elder, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2013**

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*Management's Response:* The City accepts responsibility for the financial statements, but expects to continue to receive this finding in the future. The City will implement the audit recommendations where feasible.

Material Weakness

Budgetary Over-expenditure

2013-003 *Condition:* During our review of statutory compliance, we noted that the City was not in compliance with the following state statute:

- SDCL 9-21-9 requires the City to limit expenditures to the amount appropriated for such purposes in the annual appropriation ordinance.

*Criteria:* Expenditures by department should be limited to the amounts appropriated for each by Council and approved in the annual budget.

*Cause:* Budgets were not adequately monitored and supplemental appropriations were not made. Therefore, budgeted expenditures were exceeded by several departments.

*Effect:* The City is not in compliance with the SDCL listed above.

*Auditor's Recommendation:* The City should monitor the budget and make appropriate budget supplemental appropriations when necessary.

*Management's Response:* The City will evaluate its procedures to provide more oversight of the finance function by the Mayor and Council. The City will implement the audit recommendations where feasible.



## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Box Elder, South Dakota  
Box Elder, South Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Box Elder, South Dakota (the City) as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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 misstatement, 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.

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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Box Elder, South Dakota, as of December 31, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis of Accounting

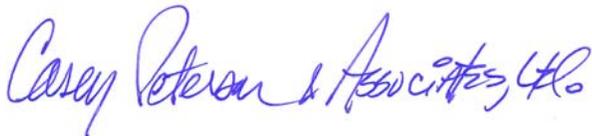
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Box Elder, South Dakota's basic financial statements. The budgetary comparison information and schedule of municipal officials on pages 30 - 33 and 34, respectively, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 01, 2015 on our consideration of the City of Box Elder, South Dakota's internal control over financial reporting and on 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 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 Box Elder, South Dakota's internal control over financial reporting and compliance.



Casey Peterson & Associates, LTD

Rapid City, South Dakota

May 01, 2015

## BASIC FINANCIAL STATEMENTS

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**City of Box Elder, South Dakota**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,976,631	\$ 1,578,315	\$ 3,554,946
<b>TOTAL ASSETS</b>	<u>\$ 1,976,631</u>	<u>\$ 1,578,315</u>	<u>\$ 3,554,946</u>
<b>NET POSITION</b>			
Restricted for:			
Debt Service	\$ 326,645	\$ 162,387	\$ 489,032
Construction and City Promotion	841,145	-	841,145
Other Purposes	11,291	-	11,291
Unrestricted	<u>797,550</u>	<u>1,415,928</u>	<u>2,213,478</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,976,631</u>	<u>\$ 1,578,315</u>	<u>\$ 3,554,946</u>

The accompanying notes are an integral part of this statement.

**City of Box Elder, South Dakota**  
**Statement of Activities - Modified Cash Basis**  
**December 31, 2013**

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<u>Functions/Programs</u>	<u>Disbursements</u>
<b>PRIMARY GOVERNMENT</b>	
Governmental Activities:	
General Government	\$ 902,472
Public Safety	837,735
Public Works	886,741
Culture and Recreation	192,172
Conservation and Development	50,398
Long-term Debt	<u>848,125</u>
Total Governmental Activities	<u>3,717,643</u>
Business-type Activities:	
Water	993,874
Sewer	<u>330,357</u>
Total Business-type Activities	<u>1,324,231</u>
Total Primary Government	<u>\$ 5,041,874</u>

The accompanying notes are an integral part of this statement.

Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
Charges for Services	Capital Grants, Loans & Contributions	Operating Grants and Contributions	Primary Government		
			Governmental Activities	Business-type Activities	Total
\$ 169,685	\$ -	\$ -	\$ (732,787)	\$ -	\$ (732,787)
271	-	174,311	(663,153)	-	(663,153)
-	-	-	(886,741)	-	(886,741)
-	-	-	(192,172)	-	(192,172)
-	-	-	(50,398)	-	(50,398)
-	-	-	(848,125)	-	(848,125)
<u>169,956</u>	<u>-</u>	<u>174,311</u>	<u>(3,373,376)</u>	<u>-</u>	<u>(3,373,376)</u>
997,000	336,401	-	-	339,527	339,527
<u>869,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,788</u>	<u>538,788</u>
<u>1,866,145</u>	<u>336,401</u>	<u>-</u>	<u>-</u>	<u>878,315</u>	<u>878,315</u>
<u>\$ 2,036,101</u>	<u>\$ 336,401</u>	<u>\$ 174,311</u>	<u>(3,373,376)</u>	<u>878,315</u>	<u>(2,495,061)</u>
<b>GENERAL RECEIPTS</b>					
Taxes:					
Property Taxes			1,737,795	-	1,737,795
Sales Tax			1,423,246	-	1,423,246
State Shared Receipts			112,861	-	112,861
Unrestricted Investment Earnings			563	-	563
Sale of Municipal Property			18,145	-	18,145
Miscellaneous Receipts			67,451	-	67,451
Total General Receipts			<u>3,360,061</u>	<u>-</u>	<u>3,360,061</u>
<b>CHANGE IN NET POSITION</b>			(13,315)	878,315	865,000
<b>NET POSITION - BEGINNING, AS RESTATED</b>			<u>1,989,946</u>	<u>700,000</u>	<u>2,689,946</u>
<b>NET POSITION - ENDING</b>			<u>\$ 1,976,631</u>	<u>\$ 1,578,315</u>	<u>\$ 3,554,946</u>

The accompanying notes are an integral part of this statement.

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**City of Box Elder, South Dakota**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2013**

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	<u>General Fund</u>	<u>Liquor, Lodging and Dining Gross Receipts Tax Fund</u>	<u>Tax Increment District #1 Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 808,841	\$ 841,145	\$ 326,645	\$ 1,976,631
<b>TOTAL ASSETS</b>	<u>\$ 808,841</u>	<u>\$ 841,145</u>	<u>\$ 326,645</u>	<u>\$ 1,976,631</u>
 <b>FUND BALANCES</b>				
Restricted:				
Debt Service	\$ -	\$ -	\$ 326,645	\$ 326,645
Parks Improvements	11,291	-	-	11,291
Construction and City Promotion		841,145	-	841,145
Unassigned	<u>797,550</u>	<u>-</u>	<u>-</u>	<u>797,550</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 808,841</u>	<u>\$ 841,145</u>	<u>\$ 326,645</u>	<u>\$ 1,976,631</u>

The accompanying notes are an integral part of this statement.

**City of Box Elder, South Dakota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2013**

	General Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	Tax Increment District #1 - Debt Service Fund	Total Governmental Funds
<b>RECEIPTS</b>				
Taxes:				
General Property Taxes	\$ 928,304	\$ -	\$ 801,745	\$ 1,730,049
General Sales and Use Taxes	1,252,480	170,418	-	1,422,898
Amusement Taxes	348	-	-	348
Penalties and Interest on Delinquent Taxes	2,441	-	5,305	7,746
Licenses and Permits	169,685	-	-	169,685
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	4,243	-	-	4,243
Liquor Tax Reversion	18,287	-	-	18,287
Motor Vehicle Licenses	53,857	-	-	53,857
Local Government Highway and Bridge Fund	28,018	-	-	28,018
Other	8,456	-	-	8,456
Federal Grants	174,311	-	-	174,311
Fines and Forfeits:				
Court Fines and Costs	271	-	-	271
Miscellaneous Receipts	84,147	2,012	-	86,159
<b>TOTAL RECEIPTS</b>	<b>2,724,848</b>	<b>172,430</b>	<b>807,050</b>	<b>3,704,328</b>

The accompanying notes are an integral part of this statement.

	General Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	Tax Increment District #1 - Debt Service Fund	Total Governmental Funds
<b>DISBURSEMENTS</b>				
General Government:				
Executive	84,083	-	-	84,083
Elections	869	-	-	869
Financial Administration	475,826	-	60	475,886
Public Safety:				
Police	817,580	-	-	817,580
Public Works:				
Highways and Streets	473,776	-	-	473,776
Planning and Zoning	214,632	-	-	214,632
Culture and Recreation:				
Recreation	2,725	-	-	2,725
Parks	167,678	-	-	167,678
Libraries	3,750	-	-	3,750
Conservation and Development:				
Economic Development	606	49,792	-	50,398
Debt Service	341,634	-	848,125	1,189,759
Capital Outlay	236,507	-	-	236,507
<b>TOTAL DISBURSEMENTS</b>	<u>2,819,666</u>	<u>49,792</u>	<u>848,185</u>	<u>3,717,643</u>
<b>NET CHANGE IN FUND BALANCE</b>	(94,818)	122,638	(41,135)	(13,315)
<b>FUND BALANCE - BEGINNING AS RESTATED</b>				
	<u>903,659</u>	<u>718,507</u>	<u>367,780</u>	<u>1,989,946</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 808,841</u>	<u>\$ 841,145</u>	<u>\$ 326,645</u>	<u>\$ 1,976,631</u>

The accompanying notes are an integral part of this statement.

**City of Box Elder, South Dakota**  
**Balance Sheet - Modified Cash Basis - Proprietary Funds**  
**December 31, 2013**

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	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 539,527	\$ 1,038,788	\$ 1,578,315
<b>TOTAL ASSETS</b>	<u>\$ 539,527</u>	<u>\$ 1,038,788</u>	<u>\$ 1,578,315</u>
 <b>NET POSITION</b>			
Restricted:			
Debt Service	\$ 98,079	\$ 64,308	\$ 162,387
Unrestricted	<u>441,448</u>	<u>974,480</u>	<u>1,415,928</u>
<b>TOTAL NET POSITION</b>	<u>\$ 539,527</u>	<u>\$ 1,038,788</u>	<u>\$ 1,578,315</u>

The accompanying notes are an integral part of this statement.

**City of Box Elder, South Dakota**  
**Statement of Revenues, Expenses and Changes in Fund Net Position -**  
**Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2013**

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>OPERATING RECEIPTS</b>			
Charges for Goods and Services	\$ 783,927	\$ 862,127	\$ 1,646,054
Revenues Dedicated for Debt Service	<u>213,073</u>	<u>7,018</u>	<u>220,091</u>
Total Operating Receipts	<u>997,000</u>	<u>869,145</u>	<u>1,866,145</u>
<b>OPERATING DISBURSEMENTS</b>			
Personal Services	187,328	43,140	230,468
Repairs and Maintenance	146,954	29,696	176,650
Other Current Disbursements	<u>192,280</u>	<u>60,476</u>	<u>252,756</u>
Total Operating Disbursements	<u>526,562</u>	<u>133,312</u>	<u>659,874</u>
Operating Income	<u>470,438</u>	<u>735,833</u>	<u>1,206,271</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>			
Capital Purchases	(369,128)	(122,062)	(491,190)
Principal Payments	(25,655)	(25,867)	(51,522)
Interest Payments	(72,529)	(49,116)	(121,645)
Debt Issued	<u>336,401</u>	<u>-</u>	<u>336,401</u>
Net Nonoperating Disbursements	<u>(130,911)</u>	<u>(197,045)</u>	<u>(327,956)</u>
<b>NET INCOME</b>	339,527	538,788	878,315
<b>NET POSITION - BEGINNING, AS RESTATED</b>	<u>200,000</u>	<u>500,000</u>	<u>700,000</u>
<b>NET POSITION - ENDING</b>	<u>\$ 539,527</u>	<u>\$ 1,038,788</u>	<u>\$ 1,578,315</u>

The accompanying notes are an integral part of this statement.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The reporting entity of the City of Box Elder, South Dakota (the City) 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.

**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. These statements 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 receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program revenues, including all taxes, are presented as general receipts.

*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, receipts, and disbursements. Funds are organized into two major categories: governmental and proprietary. 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, receipts, or disbursements 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, receipts, or disbursements 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.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The funds of the City 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.

*Liquor, Lodging and Dining Gross Receipts Tax Fund* - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city per SDCL 10-52A-2. This fund is 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.

*Tax Increment District #1 Debt Service Fund* - Accounts for the accumulation of property tax receipts received on the tax increment district and the payment of general long-term debt principal and interest as related to the tax increment district. This fund is a major fund.

Proprietary Funds:

*Enterprise Funds* - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*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 fund 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 fund 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.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City uses the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Under accounting principles generally accepted in the United States, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus**

*Government-Wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

*Fund Financial Statements:*

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

**Basis of Accounting**

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements include the recording of investments arising from cash transactions. The City also presents negative cash balances rather than interfund loans.

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

If the City applied accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**D. 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.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

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:

As previously discussed, the City presents negative cash instead of interfund loans. In order to minimize the grossing-up effect within the governmental and business-type activities columns of the primary government, the City has also chosen to net all cash balances 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 cash and cash equivalents.

**F. CAPITAL ASSETS**

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash, in the government-wide financial statements, the fund financial statements and the proprietary financial statements.

**G. LONG-TERM LIABILITIES**

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of all funds are not reported as liabilities in the modified cash basis financial statements.

**H. REVENUE RECEIVED IN ADVANCE**

Under the cash basis of accounting, cash may have been received in advance of the City's providing a good or service to a customer. These amounts are reported in the financial statements, as applicable.

**I. PROGRAM RECEIPTS**

Program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry as a whole. Program receipts are classified 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.

**J. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION**

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. EQUITY CLASSIFICATIONS**

*Government-Wide Financial Statements:*

Equity is classified as net position and is displayed in two components under the modified cash basis:

1. Restricted Net Position - Consists of net position with constraints placed on their 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.
2. Unrestricted Net Position - All other net assets that do not meet the definition of "restricted."

*Fund Financial Statements*

Governmental fund equity is classified as fund balance which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by resolutions of the City Commissioners.

*Assigned* - Amounts that are constrained by the City management and are intended to be used for specific purposes but are neither restricted nor committed. The City Commissioners have given management the authority to create assignments of fund equity.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

Proprietary fund equity is classified the same as in the government-wide financial statements.

**L. 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 a disbursement is made for purposes for which both restricted and unrestricted net position are available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**NOTE 2 - INTERFUND TRANSFERS AND BALANCES**

As a result of the City reporting under the modified cash basis of accounting, at times the funds will report negative cash and cash equivalents. Negative cash and cash equivalents represent the amount these funds have overdrawn their portion of pooled cash, and subsequently borrowed from other funds.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

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 as follows.

Deposits

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

Investments

In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government; provided that, for other than permanent, trust, retirement, building and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of and meeting the requirements of §4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities act of 1933 and whose only investments are in securities described in (a) above and repurchase agreements described in (b) above.

The City's investments consisted of \$1,819,424 as of December 31, 2013, invested in the South Dakota Public Fund Investment Trust (SDFIT) pool, which include no specific maturity date. The 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.

**Custodial Credit Risk** - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2013, none of the City's deposits were exposed to custodial credit risk.

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

**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, 2013, the City's investment in the SDFIT pool was unrated.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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 4 - 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 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 5 - RETIREMENT PLAN**

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ended December 31, 2011, 2012, and 2013 were \$66,255; \$71,730; and \$79,730 respectively, equal to the required contributions each year.

**NOTE 6 - COMMITMENTS**

The following is a summary of the long-term commitments for the year ended December 31, 2013:

	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/13</u>
Governmental Funds:				
Tax Increment Revenue Bonds	\$ 4,546,371	\$ -	\$ (660,791)	\$ 3,885,580
Sales Tax Revenue Bonds	<u>3,700,000</u>	<u>-</u>	<u>(160,000)</u>	<u>3,540,000</u>
Total Governmental Funds	<u>8,246,371</u>	<u>-</u>	<u>(820,791)</u>	<u>7,425,580</u>
Business-type Activities:				
Revenue Bonds	<u>4,748,085</u>	<u>336,401</u>	<u>(51,522)</u>	<u>5,032,964</u>
Total Business-type Activities	<u>4,748,085</u>	<u>336,401</u>	<u>(51,522)</u>	<u>5,032,964</u>
Total	<u>\$ 12,994,456</u>	<u>\$ 336,401</u>	<u>\$ (872,313)</u>	<u>\$ 12,458,544</u>

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 6 - COMMITMENTS (CONTINUED)**

Long-term debt at December 31, 2013 was comprised of the following:

Tax Increment Revenue Bonds:

Tax Increment Revenue Bond, Series 2010A, including interest at 3.25% and is due in annual installments of \$213,541 through December 1, 2025. Repayment is financed through the TIF Debt Service Fund (TID #1).	\$ 2,202,899
Tax Increment Revenue Bond, Series 2010B, including interest at 3.25%, due in annual installments of \$192,209 through May 2025. Repayment is financed through the TIF Debt Service Fund (TID #1).	<u>1,682,681</u>
	<u>3,885,580</u>

Revenue Bonds:

Sales Tax Revenue Bonds, series 2011, including varying interest to 5%, due in annual escalating principal installments and semiannual interest installments through December 2030. Financed through the General Fund.	3,540,000
2006 Water Utility Revenue bonds through Rural Development. Bears interest at 4.375%. Due in monthly installments of \$8,182 through November 2042. Financed through the Water Fund	1,643,871
2012 State Revolving Fund Revenue Bonds through the South Dakota Conservancy District. Bears interest at 2.5% and an annual administrative fee of .5%. Due in quarterly installments of \$60,743 through January 2034. Financed through the Water Fund.	2,321,278
1978 Sewer Revenue Note through Rural Development. Bears interest at 5.00%, including annual payments of \$10,673. Matures in September 2018. Financed through the Sewer Fund.	45,005
2003 Sewer Revenue Note through Rural Development. Bears interest at 4.50 percent, including monthly payments of \$4,459. Matures in December 2041. Financed through the Sewer Fund.	850,996
2003 Sewer Revenue Note through Rural Development. Bears interest at 4.50%, including monthly payments of \$900. Matures in January 2042. Financed through the Sewer Fund.	<u>171,814</u>
	<u>8,572,964</u>
	<u>\$ 12,458,544</u>

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 7 - RESTRICTED NET POSITION**

The following table shows restricted net position and the purpose for such restrictions as shown in the statement of net position - modified cash basis:

Purpose	Restricted By	Amount
Major Purposes:		
Debt Service	Debt Covenants	\$ 162,387
Debt Service	State Law	326,645
Construction & City Promotion	State Law	841,145
Other Purposes:		
Park Improvements	Donor Restrictions	11,291
		<u>\$ 1,341,468</u>

**NOTE 8 - RISK ASSESSMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the City managed risks as follows:

Pending Litigation

The City is the defendant in a number of lawsuits arising principally in the normally course of business. In the opinion of management, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been reflected.

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2013, claims for unemployment benefits were filed in the amount of \$11,029. Claims have resulted in the payment of benefits for the year ended December 31, 2013 in the amount of \$11,029.

Employee Health Insurance

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

Liability Insurance

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

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 8 - RISK ASSESSMENT (CONTINUED)**

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

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage will be provided up to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance of claims in excess of \$250,000 for property coverage and \$500,000 for liability to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of the City's First Full Year	50%
End of the City's Second Full Year	60%
End of the City's Third Full Year	70%
End of the City's Fourth Full Year	80%
End of the City's Fifth Full Year	90%
End of the City's Sixth Full Year and Thereafter	100%

As of December 31, 2013, the City had a vested balance in the cumulative reserve fund of \$43,668, and is considered to be fully vested. The deposit is not recorded in the City's financial statements due to the modified cash basis of accounting elected by the City.

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

Worker's Compensation

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

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

**NOTE 9 - DESIGNATED NET POSITION**

The City is obligated for designated customer deposits in the Water Fund.

**City of Box Elder, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2013**

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**NOTE 10 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

This City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents overdrafts of the expenditures compared to appropriations for the year ended December 31, 2013.

<u>General Fund</u>	<u>Appropriations</u>	<u>Total Spent</u>	<u>Overdraft of Expenditures</u>
General Government			
Financial Administration	\$ 436,348	\$ 475,826	\$ (39,478)
Legislative / Executive	<u>80,158</u>	<u>84,083</u>	<u>(3,925)</u>
Total General Government	<u>\$ 516,506</u>	<u>\$ 559,909</u>	<u>\$ (43,403)</u>
Public Works	<u>\$ 575,652</u>	<u>\$ 672,109</u>	<u>\$ (96,457)</u>
Conservation and Development			
Economic Development	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ (606)</u>

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

Effective January 1, 2013, the City Council passed a resolution to reallocate cash balances among the Water, Sewer and General Funds. Prior audits had identified errors in the coding of revenues and expenses among the various funds. This reallocation was necessary to correct the effects of prior coding errors. The result of the prior period adjustment was to restate fund balances as of January 1, 2013 to the following:

General Fund	\$903,659
Water Fund	200,000
Sewer Fund	500,000

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**City of Box Elder, South Dakota**  
**Budgetary Comparison Schedule - Budgetary Basis - General Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		Budgetary	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	Basis - Actual Amounts	
<b>REVENUE</b>				
Taxes:				
General Property Taxes	\$ 946,200	\$ 946,200	\$ 928,304	\$ (17,896)
General Sales and Use Taxes	1,250,000	1,250,000	1,252,480	2,480
Amusement Taxes	875	875	348	(527)
Penalties and Interest on				
Delinquent Taxes	2,000	2,000	2,441	441
Licenses and Permits	106,950	106,950	169,685	62,735
Intergovernmental Revenue:				
Federal Grants	60,000	60,000	174,311	114,311
State Shared Revenue:				
Liquor Tax Reversion	16,000	16,000	18,287	2,287
Motor Vehicle Licenses (5%)	35,000	35,000	53,857	18,857
Bank Franchise Tax	5,000	5,000	4,243	(757)
County Shared Revenue:				
County Road Tax	25,000	25,000	28,018	3,018
Other	900	900	8,456	7,556
Fines and Forfeits:				
Court Fines and Costs	1,000	1,000	271	(729)
Miscellaneous Revenue:				
Private Contributions	<u>54,220</u>	<u>54,220</u>	<u>84,147</u>	<u>29,927</u>
<b>TOTAL REVENUE</b>	<u>2,503,145</u>	<u>2,503,145</u>	<u>2,724,848</u>	<u>221,703</u>

See independent auditor's report.

	Budgeted Amounts		Budgetary	Variance
	Original	Final	Basis - Actual Amounts	
<b>DISBURSEMENTS</b>				
General Government:				
Legislative / Executive	\$ 80,158	\$ 80,158	\$ 84,083	\$ (3,925)
Elections	1,000	1,000	869	131
Financial Administration	436,348	436,348	475,826	(39,478)
Public Safety:				
Police	724,933	895,560	837,735	57,825
Public Works	344,642	575,652	672,109	(96,457)
Culture and Recreation:				
Recreation	4,100	4,600	2,725	1,875
Parks	183,894	339,866	185,697	154,169
Library	3,750	3,750	3,750	-
Conservation and Development:				
Planning and Zoning	281,865	227,962	214,632	13,330
Economic Development	-	-	606	(606)
<b>TOTAL DISBURSEMENTS</b>	<u>2,360,690</u>	<u>2,864,896</u>	<u>2,819,666</u>	<u>45,230</u>
<b>CHANGE IN CASH</b>				
<b>BASIS FUND BALANCE</b>	142,455	(361,751)	(94,818)	266,933
<b>FUND BALANCE - BEGINNING</b>	<u>903,659</u>	<u>903,659</u>	<u>903,659</u>	<u>-</u>
<b>ENDING FUND BALANCE - ENDING</b>	<u>\$ 1,046,114</u>	<u>\$ 541,908</u>	<u>\$ 808,841</u>	<u>\$ 266,933</u>

See independent auditor's report.

**City of Box Elder, South Dakota**  
**Budgetary Comparison Schedule - Budgetary Basis - Liquor, Lodging**  
**and Dining Gross Receipts Tax Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		Budgetary	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	Basis - Actual Amounts	
<b>REVENUE</b>				
Taxes:				
General Sales and Use Taxes	\$ 171,000	\$ 171,000	\$ 170,418	\$ (582)
Miscellaneous Receipts	<u>200</u>	<u>-</u>	<u>2,012</u>	<u>2,012</u>
<b>TOTAL REVENUE</b>	<u>171,200</u>	<u>171,000</u>	<u>172,430</u>	<u>1,430</u>
<b>DISBURSEMENTS</b>				
Conservation and Development:				
Economic Development	<u>160,500</u>	<u>160,500</u>	<u>49,792</u>	<u>110,708</u>
<b>TOTAL DISBURSEMENTS</b>	<u>160,500</u>	<u>160,500</u>	<u>49,792</u>	<u>110,708</u>
<b>CHANGE IN CASH</b>				
<b>BASIS FUND BALANCE</b>	10,700	10,500	122,638	112,138
<b>FUND BALANCE - BEGINNING</b>	<u>718,507</u>	<u>718,507</u>	<u>718,507</u>	<u>-</u>
<b>ENDING FUND BALANCE - ENDING</b>	<u>\$ 729,207</u>	<u>\$ 729,007</u>	<u>\$ 841,145</u>	<u>\$ 112,138</u>

See independent auditor's report.

**City of Box Elder, South Dakota**  
**Notes to Supplementary Information**  
**For the Year Ended December 31, 2013**

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**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the modified cash basis of accounting and present capital outlay and debt service expenditures within each function similar to the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board. The City did not encumber any amounts at December 31, 2013.
6. The budget for the general fund is adopted on a basis consistent with that which is presented in the financial statements.

See independent auditor's report.

**City of Box Elder, South Dakota  
Municipal Officials  
December 31, 2013**

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Mayor

William Griffiths

Council Members

Scott Allen

Kelly Foster

Mark Coatney

Terry Wenrick

Charlie Wood

Steven Cowley

Finance Officer

Mystee Lashwood

See independent auditor's report.