

CITY OF ESTELLINE
ESTELLINE, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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CITY OF ESTELLINE
ESTELLINE, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

FINANCIAL SECTION

1 Independent Auditor's Report

Basic Financial Statements:

Government-Wide Financial Statements:

4 Statement of Net Position

5 Statement of Activities

Fund Financial Statements:

Governmental Funds:

6 Balance Sheet

7 Statement of Revenues, Expenditures, and Changes in Fund Balances

Enterprise Funds:

8 Statement of Net Position

9 Statement of Revenues, Expenses, and Changes in Net Position

10 Statement of Cash Flows

Fiduciary Funds:

11 Statement of Fiduciary Net Position -- Custodial Funds

11 Statement of Changes in Fiduciary Net Position -- Custodial Funds

12 Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

Budgetary Comparison Schedule - Budgetary Basis:

31 General Fund

32 Notes to Required Supplementary Information - Budgets

Pension Schedules:

33 Schedule of the City's Proportional Share of Net Pension (Asset) Liability

33 Schedule of the City's Contributions

34 Notes to Required Supplementary Information - Pension

SUPPLEMENTARY INFORMATION SECTION

Combining Nonmajor Fund Financial Statements:

Enterprise Funds:

36 Combining Statement of Net Position

37 Combining Statement of Revenues, Expenses, and Changes in Net Position

38 Combining Statement of Cash Flows

GOVERNMENTAL SECTION

39 Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

41 Schedule of Prior Audit Findings and Responses

41 Schedule of Current Audit Findings and Responses

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Estelline
Estelline, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions:

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Estelline (City), Hamlin County, South Dakota as of December 31, 2022, and for the year ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying 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 the remaining fund information of the City of Estelline as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions:

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Management's Responsibilities 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements:

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 31 and 32), the City's Proportionate Share of Net Pension (Asset)/Liability (page 33), and the Schedule of the City's Contribution (page 33) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

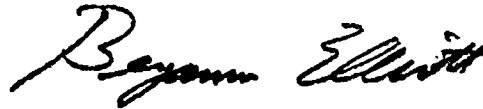
City of Estelline
Independent Auditor's Report -- Page Three

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 consider it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2023 (page 39) on my consideration of the City of Estelline's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Estelline's 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 Estelline's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota
November 8, 2023

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive, flowing style with a large initial "B" and a stylized "E".

CITY OF ESTELLINE

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	1,771,520	6,441,872	8,213,392
Taxes receivable - delinquent	5,523		5,523
Due from other governments	28,435		28,435
Accounts receivable	6,143	397,263	403,406
Inventory of supplies	27,912	64,256	92,168
Internal balances	0	0	0
Capital assets:			
Land	434,475	96,930	531,405
Other capital assets, net of accumulated depreciation	256,285	3,776,863	4,033,148
Other assets:			
Cash - restricted		3,445	3,445
Net pension assets	385	8,422	8,807
Total assets	2,530,678	10,789,051	13,319,729
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	34,990	765,639	800,629
Total deferred outflow of resources	34,990	765,639	800,629
LIABILITIES:			
Current liabilities:			
Accounts payable	4,230	131,840	136,070
Accrued payroll deductions	302	2,054	2,356
Customer deposits		6,436	6,436
Resident deposits (ENCC)		3,445	3,445
Leave liability	17,392	200,316	217,708
Noncurrent liabilities:			
None	0	0	0
Total liabilities	21,924	344,091	366,015
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	22,384	489,827	512,211
Total deferred inflows of resources	22,384	489,827	512,211
NET POSITION:			
Net investment in capital assets	690,760	3,873,793	4,564,553
Restricted for:			
SDRS pension purposes	12,991	284,234	297,225
Unrestricted	1,817,609	6,562,745	8,380,354
Total net position	2,521,360	10,720,772	13,242,132

See accompanying notes.

CITY OF ESTELLINE
GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2022

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	173,013	37,832	34,105		-101,076		-101,076
Public safety	216,788	34,401			-182,387		-182,387
Public works	348,625	4,657	34,104		-309,864		-309,864
Health and welfare	7,633	15,000			7,367		7,367
Culture and recreation	26,538	11,830			-14,708		-14,708
Economic development	16,620				-16,620		-16,620
Total governmental activities	789,217	103,720	68,209	0	-617,288	0	-617,288
Business-type activities:							
Water	147,829	174,427				26,598	26,598
Electric	570,322	702,574				132,252	132,252
Sewer	77,576	112,843				35,267	35,267
Solid waste	62,345	62,345				0	0
Pool	44,285	9,577				-34,708	-34,708
Nursing home (ENCC)	4,202,854	4,586,659				383,805	383,805
Ambulance	24,505	28,499				3,994	3,994
Total business-type activities	5,129,716	5,676,924	0	0	0	547,208	547,208
Total primary government	5,918,933	5,780,644	68,209	0	-617,288	547,208	-70,080
General revenues:							
Taxes:							
Property taxes					297,302		297,302
Sales taxes					268,193		268,193
State shared revenue					46,551		46,551
County shared revenue					1,944		1,944
Interest earnings					53,998	72,272	126,270
Rents and franchise fees					43,754		43,754
Donations					5,000	5,081	10,081
Miscellaneous revenue					8,020		8,020
Compensation for damaged property					32,772		32,772
Transfers in (out)					0	0	0
Total general revenue and transfers					757,534	77,353	834,887
Change in net position					140,246	624,561	764,807
Net position:							
January 1, 2022					2,381,114	10,096,211	12,477,325
December 31, 2022					2,521,360	10,720,772	13,242,132

See accompanying notes.

CITY OF ESTELLINE
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	1,740,295	31,225	1,771,520
Property taxes receivable	5,523		5,523
Due from other governments	28,435		28,435
Accounts receivable	6,143		6,143
Inventory of supplies	27,912		27,912
Total assets	1,808,308	31,225	1,839,533
LIABILITIES:			
Accounts payable	4,230		4,230
Accrued payroll deductions	302		302
Total liabilities	4,532	0	4,532
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	5,523		5,523
Total deferred inflows of resources	5,523	0	5,523
FUND BALANCE:			
Nonspendable	27,912		27,912
Restricted			0
Committed			0
Assigned to:			
Capital projects		31,225	31,225
City Celebration	1,153		1,153
Fire department (cash)	102,133		102,133
Unassigned	1,667,055		1,667,055
Total fund balance	1,798,253	31,225	1,829,478
Total liabilities, deferred inflows of resources and fund balance	1,808,308	31,225	1,839,533
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position			
Total fund balance - governmental funds (above)			1,829,478
Amounts reported in the government-wide statement of net assets are different because:			
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital assets are:			1,299,150
Less: accumulated depreciation			-608,390
These pension related amounts are not an available financial resource and therefore are not reported in the funds.			
Net pension asset			385
Deferred outflow of resources			34,990
Deferred inflow of resources			-22,384
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.			5,523
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long term liabilities at year end consist of:			
Accrued leave payable			-17,392
Total net position on government-wide statement of net position			2,521,360

See accompanying notes.

CITY OF ESTELLINE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenue from local sources:			
Taxes:			
Ad valorem taxes	298,142		298,142
General sales and use taxes	268,193		268,193
Penalties and interest	1,279		1,279
Licenses and permits:	37,796		37,796
Intergovernmental revenue:			
Federal shared revenue - CARES	68,209		68,209
State shared revenue:			
Bank franchise tax	2,589		2,589
Commercial prorate	2,508		2,508
Liquor tax reversion	5,206		5,206
Motor vehicle licenses (5%)	16,734		16,734
Highway and bridge	19,514		19,514
County shared revenue: road taxes	1,944		1,944
Charges for goods and services:			
Fire	34,401		34,401
Landfill and refuse collection	4,657		4,657
Health and welfare	15,000		15,000
Recreation	11,830		11,830
Fines and forfeits:	36		36
Miscellaneous revenue:			
Interest earned	53,998		53,998
Rental and franchise	43,754		43,754
Donations	5,000		5,000
Other	4,770	3,250	8,020
Total revenues	895,560	3,250	898,810
Expenditures:			
General government:			
Mayor and Council	23,074		23,074
Election	123		123
Financial administration	118,957		118,957
Other	30,885		30,885
Public safety:			
Police	48,360		48,360
Fire	105,639		105,639
Public works:			
Highways and streets	358,248	22,025	380,273
Sanitation	8,376		8,376
Health and welfare:			
Ambulance	2,595		2,595
Culture and recreation:			
Parks	22,932		22,932
Economic development	16,620		16,620
Capital outlays	46,971		46,971
Total expenditures	782,780	22,025	804,805
Excess of revenues over (under) expenditures	112,780	-18,775	94,005
Other financing sources (uses):			
Compensation for damaged	32,772		32,772
Transfer in (out)	-50,000	50,000	0
Net change in fund balance	95,552	31,225	126,777
Fund balance:			
January 1, 2022	1,702,701	NEW	1,702,701
December 31, 2022	1,798,253	31,225	1,829,478
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.			
Amounts reported in the government-wide statement of net position are different because:			
Net change in fund balances - total governmental funds (above)			126,777
Governmental funds report capitalized cost as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation. 2022 capitalized cost are 2022 depreciation is			
			46,971
			-32,334
Revenues and expenses related to pensions do not provide current financial resources or uses and, therefore, are not reported in the funds.			
			3,294
Some property taxes will not be collected for several months after the City's year-end. Therefore, they are not considered "available" revenues and are deferred in the governmental funds statement.			
			-2,119
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change in "accrued leave" through expenditures.			
			-2,343
Change in net position on government-wide statement of activities			140,246

See accompanying notes.

CITY OF ESTELLINE

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2022

	Water Fund	Electric Fund	Sewer Fund	Nursing Home Fund	Other Enterprise Funds	Total Enterprise Funds
ASSETS:						
Current assets:						
Cash and cash equivalents	499,538	1,325,925	487,257	3,627,422	501,730	6,441,872
Accounts receivable	27,582	125,281	19,611	205,505	19,284	397,263
Due from other funds		5,771				5,771
Inventory of supplies	9,581	4,049	4,072	46,554		64,256
Total current assets	536,701	1,461,026	510,940	3,879,481	521,014	6,909,162
Capital assets:						
Land	2,000	1,500	66,500	26,930		96,930
Buildings	68,160	115,525	30,524	1,043,377	27,118	1,284,704
Improvements	3,055,748	1,356,201	1,339,003	357,741	155,530	6,264,223
Equipment	83,635	293,946	98,382	792,853	160,136	1,428,952
Accumulated depreciation	-984,854	-1,145,754	-841,588	-1,914,025	-314,795	-5,201,016
Total capital assets	2,224,689	621,418	692,821	306,876	27,989	3,873,793
Other assets:						
Cash - restricted				3,445		3,445
Net pension assets	85	89	124	8,124		8,422
Total assets	2,761,475	2,082,533	1,203,885	4,197,926	549,003	10,794,822
DEFERRED OUTFLOW OF RESOURCES						
Pension related deferred outflow	7,687	8,087	11,288	738,577		765,639
Total outflow of resources	7,687	8,087	11,288	738,577	0	765,639
LIABILITIES:						
Current liabilities:						
Accounts payable	5,901	48,176	208	71,481	6,074	131,840
Accrued payroll deductions	224	-10	-494	2,223	111	2,054
Due to other funds					5,771	5,771
Customer deposits		6,436				6,436
Customer deposits - ENCC				3,445		3,445
Leave liability	1,025	1,025	1,025	197,241		200,316
Total current liabilities	7,150	55,627	739	274,390	11,956	349,862
Noncurrent liabilities:						
None						0
Total noncurrent liabilities	0	0	0	0	0	0
Total liabilities	7,150	55,627	739	274,390	11,956	349,862
DEFERRED INFLOW OF RESOURCES						
Pension related deferred inflows	4,917	5,173	7,222	472,515		489,827
Total inflow of resources	4,917	5,173	7,222	472,515	0	489,827
NET POSITION						
Net investment in capital assets	2,224,689	621,418	692,821	306,876	27,989	3,873,793
Restricted:						
SDRS pension purposes	2,855	3,003	4,190	274,186		284,234
Unrestricted	529,551	1,405,399	510,201	3,608,536	509,058	6,562,745
Total net position	2,757,095	2,029,820	1,207,212	4,189,598	537,047	10,720,772

See accompanying notes.

CITY OF ESTELLINE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	Water Fund	Electric Fund	Sewer Fund	Nursing Home Fund	Other Enterprise Funds	Total Enterprise Funds
	-----	-----	-----	-----	-----	-----
Operating revenue:						
Charges for goods and services	174,427	702,574	112,843	4,586,659	100,421	5,676,924
	-----	-----	-----	-----	-----	-----
Total operating revenue	174,427	702,574	112,843	4,586,659	100,421	5,676,924
	-----	-----	-----	-----	-----	-----
Operating expenses:						
Personal services	27,534	34,804	39,261	3,325,812	27,691	3,455,102
Other current services	50,977	84,496	9,406	857,039	37,714	1,039,632
Cost of goods sold		408,315			62,345	470,660
Depreciation	70,735	43,649	31,732	51,554	3,385	201,055
Pension expense reduction	-1,417	-942	-2,823	-31,551	0	-36,733
	-----	-----	-----	-----	-----	-----
Total operating expenses	147,829	570,322	77,576	4,202,854	131,135	5,129,716
	-----	-----	-----	-----	-----	-----
Total operating income (loss)	26,598	132,252	35,267	383,805	-30,714	547,208
Nonoperating revenue (expense):						
Interest earnings	2,011	5,187	1,145	56,241	7,688	72,272
Donations					5,081	5,081
Total nonoperating revenue (expense)	2,011	5,187	1,145	56,241	12,769	77,353
Income (loss) before transfers and capital contributions	28,609	137,439	36,412	440,046	-17,945	624,561
Transfers in					32,629	32,629
Transfers (out)		-32,629				-32,629
	-----	-----	-----	-----	-----	-----
Change in net position	28,609	104,810	36,412	440,046	14,684	624,561
Net position:						
January 1, 2022	2,728,486	1,925,010	1,170,800	3,749,552	522,363	10,096,211
	-----	-----	-----	-----	-----	-----
December 31, 2022	2,757,095	2,029,820	1,207,212	4,189,598	537,047	10,720,772
	=====	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF ESTELLINE
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	Water Fund	Electric Fund	Sewer Fund	Nursing Home Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from:	-----	-----	-----	-----	-----	-----
Operating activities:						
Receipts from customers	153,054	630,462	95,552	4,577,454	104,640	5,561,162
Received from other funds	13,920	64,958	13,920			92,798
Payments to employees	-26,816	-36,263	-40,686	-3,389,546	-27,691	-3,521,002
Payments to suppliers	-41,508	-477,254	-6,826	-796,657	-98,996	-1,421,241
Payments to other funds	-5,865		-2,675	-60,559	-4,782	-73,881
Net cash provided (used) by operating activities	----- 92,785	----- 181,903	----- 59,285	----- 330,692	----- -26,829	----- 637,836
Noncapital financing activities:						
Transfers in					32,629	32,629
Transfers (out)		-32,629				-32,629
Due (from)/to other funds		-4,909			4,909	0
Donations/grants					5,081	5,081
Capital financing activities:						
Cash paid for buildings				-15,400		-15,400
Cash paid for improvements	-119,879	-21,719	-24,131			-165,729
Cash paid for equipment	-9,833	-22,086	-38,878	-28,983		-99,780
Investing activities:						
Interest earnings	2,011	5,187	1,145	56,241	7,688	72,272
Net increase (decrease) in cash	----- -34,916	----- 105,747	----- -2,579	----- 342,550	----- 23,478	----- 434,280
Cash:						
January 1, 2022	534,454	1,220,178	489,836	3,288,317	478,252	6,011,037
December 31, 2022	----- 499,538	----- 1,325,925	----- 487,257	----- 3,630,867	----- 501,730	----- 6,445,317
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	26,598	132,252	35,267	383,805	-30,714	547,208
Depreciation	70,735	43,649	31,732	51,554	3,385	201,055
Loss on disposal				402		402
Pension related	-1,417	-942	-2,823	-31,551		-36,733
(Increase) decrease in:						
Receivables	-7,453	-6,790	-3,371	-7,274	4,219	-20,669
Inventory	8	6,232		-1,822		4,418
Increase (decrease) in:						
Accounts payable	3,596	9,325	-95	1,243	-3,719	10,350
Payroll deductions	-4	-79	-45	75		-53
Customer deposits		-364		-1,931		-2,295
Leave liability	722	-1,380	-1,380	-63,809		-65,847
Net cash provided (used) by operating activities	----- 92,785	----- 181,903	----- 59,285	----- 330,692	----- -26,829	----- 637,836
Noncash investing, capital and financing activities:						
None						

See accompanying notes.

CITY OF ESTELLINE

STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUNDS
AS OF DECEMBER 31, 2022

	Total Custodial Funds	Flex-One Fund	Insurance Fund
	-----	-----	-----
Assets:			
Cash	66,322	10,994	55,328
	-----	-----	-----
Total assets	66,322	10,994	55,328
	=====	=====	=====
Liabilities:			
None	0	0	0
	-----	-----	-----
Total liabilities	0	0	0
	=====	=====	=====
Net Position:			
Restricted for individuals, organizations and other governments:	66,322	10,994	55,328
	-----	-----	-----
Total Net Position:	66,322	10,994	55,328
	=====	=====	=====

See accompanying notes.

CITY OF ESTELLINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	Total Custodial Funds	Flex-One Fund	Insurance Fund
	-----	-----	-----
Additions:			
Contributions and donations	44,469	11,719	32,750
	-----	-----	-----
Total additions	44,469	11,719	32,750
	-----	-----	-----
Deductions:			
Payment of:			
IRS Section 125 amounts	11,055	11,055	
Individual insurance amounts	9,262		9,262
	-----	-----	-----
Total deductions	20,317	11,055	9,262
	-----	-----	-----
Change in net position	24,152	664	23,488
Net position:			
January 1, 2022	42,170	10,330	31,840
	-----	-----	-----
December 31, 2022	66,322	10,994	55,328
	=====	=====	=====

See accompanying notes.

CITY OF ESTELLINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Estelline conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Estelline's (City) Governing Board.

The City's officials at December 31, 2022 are:

Governing Board:	Finance Officer:
Donald Zafft, Mayor	Mary Saathoff
Ross Brandsrud, President	
	ENCC Administrator:
Joshua Cokens	Jason Hanssen
Mike Gunderson	
Ryan Miller	Attorney:
Julie Rieckman	John Delzer
Cheryl Squires	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The City of Estelline
Component Unit: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Estelline consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) 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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Estelline does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of City's business-type activities. City expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Capital Project Fund - 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 and trust funds for individuals, private organizations, or other governments). The City has the following capital project fund:

Capital Project Fund - the City uses this capital project fund to account for revenue and expenditures related to the construction of property development. The capital project fund is a major fund.

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Estelline. The water fund is a major fund.

Electric Fund - A fund established by SDCL 9-39-1 and 26 to provide electric services to customers within the City of Estelline. The electric fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Estelline. The sewer fund is a major fund.

Solid Waste Fund - A fund established by SDCL 9-32-11 and 34A-6 to account for the collection and disposal of solid waste from the municipality. The solid waste fund is not a major fund.

Swimming pool fund - A fund established by SDCL 9-28-60 and 69 to operate a municipal swimming pool. The swimming pool fund is not a major fund.

Health Care Funds:

Estelline Nursing & Care Center fund - A fund established by SDCL 28-18-7 to provide operation of a nursing facility in the City of Estelline. The Estelline Nursing & Care Center fund is a major fund.

Ambulance fund - A fund established by SDCL 34-9-11 and 28-18-7 to provide ambulance services. The ambulance fund is not a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Custodial funds: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds. The City maintains a custodial fund (Flex One) to account for employee withholding's for medical and daycare spending under IRS code section 125 and a custodial fund for employee insurance deductibles.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or non-current, financial, or non-financial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally 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:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally 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 City's availability period for accruing and recording revenues is 30 days. The revenues which are accrued at December 31, 2022 are state shared revenue and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are 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. However, the City of Estelline budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Inter-fund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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 inter-fund 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" (if any).

Fund Financial Statements:

In the fund financial statements, non-current portions of long-term inter-fund receivables (reported in "Advance to" asset accounts) are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of inter-fund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Inter-fund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other inter-fund transactions are reported as transfers.

f. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the year ending December 31, 2022, all enterprise fund deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow.

g. Capital Assets and Infrastructure assets:

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

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2022 balance of capital assets for governmental activities include approximately 15% for which the costs were determined by estimates of the original costs. The total December 31, 2022 balance of capital assets for business-type activities includes approximately 10% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets also are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 30.

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

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All		NA
Buildings	All	Straight-line	33-50
Improvements	5,000	Straight-line	10-50
Equipment	1,000	Straight-line	3-30

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

Capital assets and related depreciation expenses are not recorded in governmental funds of the fund financial statements because these funds have a "current financial resources" measurement focus. Instead, these funds report capital asset acquisitions as capital outlay expenditures.

Capital assets and related depreciation expenses are recorded on the accrual basis of accounting in the enterprise funds of the fund financial statements, the same as in the government-wide statements.

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. The City has no long-term liabilities other than accrued leave.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

Program Revenue

In the government-wide Statement of Activities, reported 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Revenue

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, interest earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the City.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources (if any). 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 (if any). 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. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. 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 capital outlay certificate payable, capitalized leases payable, 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 its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Non-spendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity is reported as Net Position-Restricted.

1. 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:

- * Non-spendable - 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 (or modified or rescinded) by the government through formal action at 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 Council or Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Estelline fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Non-spendable	Inventory		27,912
Restricted	None		0
Committed	None		0
Assigned	Capital projects	Finance Officer	31,225
	General:		
	City Celebration	Finance Officer	1,153
	Fire department (cash)	Resolution	102,133
Unassigned	General		1,667,055

			1,829,478

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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2022 were as follows: Insured \$500,000, Collateralized ** \$7,948,194 for a total of \$8,448,194.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits, including \$180 in petty cash, at December 31, 2022 was \$8,283,159.

Reconciliation of deposits to government-wide statement of net position is:

Statement of Net Position:	
Unrestricted: Petty cash	\$ 180
Checking/savings	8,213,212
Certificates of deposits	0
Restricted: Checking	3,445
Fiduciary funds: (custodial) Checking	66,322

	\$ 8,283,159
	=====

Investments - In general, SDCL 4-5-6 permits City money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

The City had no investments during the year ending December 31, 2022.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment 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.

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.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. All City deposits are in Reliabank.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2022, the City's deposits in financial institutions were not exposed to custodial deposit risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counter-party to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counter-party. At December 31, 2022, the City was not exposed to custodial investment risk.

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.

4. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts in the enterprise funds are not material to these financial statements.

5. INVENTORY OF SUPPLIES AND SMALL TOOLS:

Government-wide Statements: (consumption method)

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are valued at the lower of cost or market. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally 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.

Inventory of supplies and small tools are valued at the lower of cost or market. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

6. CHANGES IN CAPITAL ASSETS (see schedule one on page 30)

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There was no construction-in-progress at the end of 2022.

7. CHANGES IN LONG-TERM LIABILITIES (see schedule two on page 29)

A summary of changes in long-term liabilities is presented in schedule two at the end of these notes. The City did not have any liabilities during 2022 except accrued leave payable.

8. INTER-FUND BALANCES

At December 31, 2022 the solid waste fund owed the electric fund \$5,771 to cover an overdraft.

9. INTER-FUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

	Governmental	Enterprise	
General	(50,000)		Capital contribution
Capital project	50,000		For operations
Electric		(32,629)	Per Council resolution
Swimming pool		32,629	For operations
	-----	-----	
	0	0	

10. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Purpose:	Restricted By:	Government-Wide	Business-Type
Pension	GASB-68	12,991	284,234

11. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (or expense reduction), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. City contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

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 hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent.

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, contributions 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. The City's share of contributions to the SDRS for the years ending December 31, 2022, 2021 and 2020 were \$132,214, \$132,200, and \$134,209, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2022 SDRS is 100.1% funded and accordingly has 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 ending June 30, 2022 and reported by the City as of December 31, 2022 are as follows:

Proportionate share of total pension liability	\$ 13,154,995
Less: Proportionate share of net position restricted for pension benefits	(13,163,802)

Proportionate share of net pension (asset)/liability	\$ (8,807)
	=====

At December 31, 2022 the City reported a (asset)/liability of \$(8,807) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2022 and the total pension liability 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, 2022, the City's proportion was .000931880 which is a decrease of .00004739 over its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized net pension (reduction of expense) of \$40,027.

At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 167,645	\$ 572
Change in assumptions	559,736	490,534
Net difference between projected and actual earnings on pension plan investments	0	21,105
Changes in proportion and difference between client contribution and proportionate share of contributions	7,141	
City contributions subsequent to the measurement date	66,107	
	-----	-----
Totals	\$ 800,629	\$ 512,211
	(66,107)	=====
	(512,211)	

To be amortized over 4 years	\$ 222,311	
	=====	

The \$66,107 reported as deferred outflow of resources related to the pension, results from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2023	\$ 59,780
December 31, 2024	126,384
December 31, 2025	(144,126)
December 31, 2026	180,273

	\$ 222,311

Actuarial Assumptions:

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010

Other Class A Members: Pub G-2010

Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:

Pub T-2010, 108% of rates above age 65

Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investments

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 (ie: 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 weighting 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension 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 will be made at rates equal to the member rate. Based on those 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 asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$1,828,662	\$(8,807)	\$(1,510,504)

Pension Plan Fiduciary Net Position:

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

12. EMPLOYEE BENEFIT PLAN

The city offers eligible employees a "Flexible Benefits Plan" (also known as "Flex One" or a "cafeteria plan") under IRC Sec.125. The Plan allows eligible employees to use money provided by the City through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan. The Plan is accounted for in a custodial fund.

13. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" of 30 days has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 11 and 12.

14. INSURANCE

The City is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending December 31, 2021, the City of Estelline managed its risks as follows:

Health:

The City purchases health insurance for its employees from a commercial insurance carrier.

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

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; errors and omissions of public officials from a commercial insurance carrier.

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

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 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 over the past three years.

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 ending December 31, 2022 unemployment benefits claims of \$0 were paid and an undetermined amount is expected to be paid in 2023.

15. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

16. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

17. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

There is no material unallowed related party activity and the City does not offer any Other Post Employment Benefits.

In 2022 ENCC put \$15,400 down on a window replacement project that is expected to cost \$140,068.

CITY OF ESTELLINE

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE YEAR ENDING DECEMBER 31, 2022

	Beginning Balance 12-31-21 -----	Additions	(Deletions) -----	Government Ending Balance 12-31-22 -----	Business-type Ending Balance 12-31-22 -----	Principal Due in 2023 -----
GOVERNMENTAL - OTHER LIABILITIES						
Accrued leave payable:						
Paid by the general fund	15,049	17,392	-15,049	17,392		17,392
	=====	=====	=====	=====		=====
BUSINESS-TYPE - OTHER LIABILITIES						
Accrued leave payable:						
Paid by enterprise funds	266,163	200,316	-266,163		200,316	200,316
	=====	=====	=====		=====	=====

CITY OF ESTELLINE
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2022

	Beginning 12-31-21	Adjustments	Additions	Deletions	Ending 12-31-22	Accumulated Depreciation 12-31-21	Adjustments	Depreciation (Additions)	Depreciation Deletions	Accumulated Depreciation 12-31-22	Remaining Cost 12-31-22
Non-depreciable:											
Land	434,475				434,475	0				0	434,475
Total	434,475	0	0	0	434,475	0	0	0	0	0	434,475
Depreciable:											
Buildings	425,380				425,380	-331,257		-6,416		-337,673	87,707
Improvements	42,134				42,134	-18,368		-2,807		-21,175	20,959
Equipment	350,190		46,972		397,162	-226,432		-23,111		-249,543	147,619
Totals	817,704	0	46,972	0	864,676	-576,057	0	-32,334	0	-608,391	256,285
Fire truck			46,972								
Allocation of Depreciation:											
General government											
Public safety								15,818			
Public works								7,872			
Health and welfare								5,038			
Culture and recreation								3,606			
								32,334			
Business-type activity:											
Non-depreciable:											
Land	96,930				96,930	0				0	96,930
Total	96,930	0	0	0	96,930	0	0	0	0	0	96,930
Depreciable:											
Buildings	1,269,302	1	15,400		1,284,703	-1,124,466		-10,619		-1,135,085	149,618
Improvements	6,098,493		165,730		6,264,223	-2,892,552		-123,479		-3,016,031	3,248,192
Equipment	1,329,173		99,780		1,428,953	-982,541	-401	-66,958		-1,049,900	379,053
Construction-in-progress	0				0	0				0	0
Totals	8,696,968	1	280,910	0	8,977,879	-4,999,559	-401	-201,056	0	-5,201,016	3,776,863
Water lines			119,879								
Electric equipment			33,973								
Sewer equipment			53,176								
ENCC equipment			44,382								
Ford F150 truck			29,500								
			280,910								

CITY OF ESTELLINE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Revenue:					
Revenue from local sources:					
Taxes:					
Ad valorem taxes	301,000			298,142	-2,858
Sales and use tax	165,000			268,193	103,193
Penalties and interest			0	1,279	1,279
Licenses and permits:	4,890		4,890	37,796	32,906
Intergovernmental revenue:					
Federal grant - CARES			0	68,209	68,209
State shared revenue:					
Grant	4,586		4,586		-4,586
Bank franchise tax	2,200		2,200	2,589	389
Commercial prorate			0	2,508	2,508
Liquor tax reversion			0	5,206	5,206
Motor vehicle licenses (5%)	16,500		16,500	16,734	234
Highway and bridge	17,000		17,000	19,514	2,514
County shared revenue	1,800		1,800	1,944	144
Charges for goods and services:					
Fire department	40,000		40,000	34,401	-5,599
Landfill and refuse collection			0	4,657	4,657
Health and welfare			0	15,000	15,000
Recreation			0	11,830	11,830
Fines and forfeits			0	36	36
Miscellaneous revenue:					
Interest and dividends	11,000		11,000	53,998	42,998
Rentals and franchise			0	43,754	43,754
Donation			0	5,000	5,000
Other	93,450		93,450	4,770	-88,680
Total revenues	657,426	0	0	895,560	238,134
Expenditures:					
General government:					
Mayor and Council	22,900	300		23,074	126
Contingency	26,000			26,000	26,000
Amount transferred		-26,000		-26,000	-26,000
Elections	500		500	123	377
Financial administration	120,261	700		118,957	2,004
Other	39,906		39,906	30,885	9,021
Public safety:					
Police	48,360		48,360	48,360	0
Fire	73,275	1,000	90,000	152,610	11,665
Civil defense	100		100		100
Public works:					
Highways and streets	275,195	8,150	94,000	358,248	19,097
Sanitation	7,847	843		8,376	314
Health and welfare:					
West Niles	3,000		3,000		3,000
Ambulance		7	7	2,595	-2,588
Culture and recreation:					
Recreation			0		0
Parks	9,685	10,000		22,932	-3,247
Conservation and development:					
Economic development	30,000	5,000		16,620	18,380
Total expenditures	657,029	0	184,000	782,780	58,249
Excess of revenues over (under) expenditures	397	0	-184,000	112,780	296,383
Other financing sources (uses):					
Compensation for damage			0	32,772	32,772
Transfer out			0	-50,000	-50,000
Net change in fund balance	397	0	-184,000	95,552	279,155
Fund balance:					
January 1, 2022	1,702,701			1,702,701	0
December 31, 2022	1,703,098	0	-184,000	1,798,253	279,155

CITY OF ESTELLINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGET

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND FOR THE YEAR ENDING DECEMBER 31, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. 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 d.
- c. 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 resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2022 there was a supplemental appropriations to increase the general fund's budget. See page 31.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board.

Encumbrance 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. The City did not encumber any amounts at December 31, 2022.

- f. Formal budgetary integration is employed as a management control device for the general fund.
- g. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF ESTELLINE
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for a June 30th Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2022	0.0931880%	-8,807	2,225,183	(00.40%)	100.10%
June 30, 2021	0.0979270%	-749,953	2,222,283	(33.75%)	105.52%
June 30, 2020	0.0922940%	-4,008	2,025,583	(00.20%)	100.04%
June 30, 2019	0.0924761%	-9,800	1,966,233	(00.50%)	100.09%
June 30, 2018	0.1019608%	-2,378	2,119,667	(00.11%)	100.02%
June 30, 2017	0.1002751%	-9,100	2,037,383	(00.45%)	100.10%
June 30, 2016	0.1029248%	347,670	1,957,117	17.76%	96.89%
June 30, 2015	0.1092612%	-463,408	1,981,589	(23.39%)	104.10%
June 30, 2014	0.1037988%	-747,828	1,800,149	(41.54%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF ESTELLINE
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
December 31, 2022	132,214	132,214	0	2,203,567	6.00%
December 31, 2021	133,200	133,200	0	2,220,000	6.00%
December 31, 2020	134,209	134,209	0	2,236,817	6.00%
December 31, 2019	119,707	119,707	0	1,995,117	6.00%
December 31, 2018	124,137	124,137	0	2,068,950	6.00%
December 31, 2017	123,933	123,933	0	2,065,550	6.00%
December 31, 2016	120,109	120,109	0	2,001,817	6.00%
December 31, 2015	119,225	119,225	0	1,973,924	6.04%
December 31, 2014	116,280	116,280	0	1,921,984	6.05%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes.

CITY OF ESTELLINE
DECEMBER 31, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING DECEMBER 31, 2022

Changes of Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2022 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

During the 2022 legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2022, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was change to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Accounts are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

CITY OF ESTELLINE
COMBINING STATEMENT OF NET POSITION
- NONMAJOR ENTERPRISE FUNDS
AS OF DECEMBER 31, 2022

	Solid Waste Fund	Pool Fund	Ambulance Funds	Total Enterprise Funds
ASSETS:				
Current assets:				
Cash and cash equivalents		965	500,765	501,730
Accounts receivable	10,748		8,536	19,284
Total current assets	10,748	965	509,301	521,014
Capital assets:				
Land				0
Buildings			27,118	27,118
Improvements		155,530		155,530
Equipment		49,967	110,169	160,136
Accumulated depreciation		-185,726	-129,069	-314,795
Total capital assets	0	19,771	8,218	27,989
Other assets:				
Net pension assets				0
Total assets	10,748	20,736	517,519	549,003
DEFERRED OUTFLOW OF RESOURCES				
Pension related deferred outflows				0
Total outflow of resources	0	0	0	0
LIABILITIES:				
Current liabilities:				
Accounts payable	4,977		1,097	6,074
Accrued payroll deductions		111		111
Due to other funds	5,771			5,771
Total current liabilities	10,748	111	1,097	11,956
Noncurrent liabilities:				
None				0
Total noncurrent liabilities	0	0	0	0
Total liabilities	10,748	111	1,097	11,956
DEFERRED INFLOW OF RESOURCES				
Pension related deferred inflows				0
Total inflow of resources	0	0	0	0
NET POSITION				
Net investment in capital assets		19,771	8,218	27,989
Restricted:				
SDRS pension purposes				0
Unrestricted	0	854	508,204	509,058
Total net position	0	20,625	516,422	537,047

CITY OF ESTELLINE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022

	Solid Waste Fund	Pool Fund	Ambulance Funds	Total Enterprise Funds
	-----	-----	-----	-----
Operating revenue:				
Charges for goods and services	62,345	9,577	28,499	100,421
	-----	-----	-----	-----
Total operating revenue	62,345	9,577	28,499	100,421
	-----	-----	-----	-----
Operating expenses:				
Personal services		27,691		27,691
Other current services		14,515	23,199	37,714
Cost of goods sold	62,345			62,345
Depreciation		2,079	1,306	3,385
Pension expense reduction				0
	-----	-----	-----	-----
Total operating expenses	62,345	44,285	24,505	131,135
	-----	-----	-----	-----
Total operating income (loss)	0	-34,708	3,994	-30,714
Nonoperating revenue (expense):				
Interest earnings		3	7,685	7,688
Donations			5,081	5,081
	-----	-----	-----	-----
Total nonoperating revenue (expense)	0	3	12,766	12,769
Income (loss) before transfers	0	-34,705	16,760	-17,945
Transfers in		32,629		32,629
Transfers (out)				0
	-----	-----	-----	-----
Change in net position	0	-2,076	16,760	14,684
Net position:				
January 1, 2022	0	22,701	499,662	522,363
	-----	-----	-----	-----
December 31, 2022	0	20,625	516,422	537,047

CITY OF ESTELLINE
 COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022

	Solid Waste Fund	Pool Fund	Ambulance Funds	Total Enterprise Funds
	-----	-----	-----	-----
Operating activities:				
Receipts from customers	62,086	9,577	32,977	104,640
Received from other funds				0
Payments to employees		-27,691		-27,691
Payments to suppliers	-66,995	-9,733	-22,268	-98,996
Payments to other funds		-4,782		-4,782
Net cash provided (used) by operating activities	----- -4,909	----- -32,629	----- 10,709	----- -26,829
Noncapital financing activities:				
Transfers in from electric		32,629		32,629
Due (from)/to other funds	4,909			4,909
Donations			5,081	5,081
Capital financing activities:				
None				0
Investing activities:				
Interest earnings		3	7,685	7,688
Net increase (decrease) in cash	----- 0	----- 3	----- 23,475	----- 23,478
Cash:				
January 1, 2022	0	962	477,290	478,252
December 31, 2022	----- 0	----- 965	----- 500,765	----- 501,730
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	0	-34,708	3,994	-30,714
Depreciation		2,079	1,306	3,385
Pension related				0
(Increase) decrease in:				
Receivables	-259		4,478	4,219
Increase (decrease) in:				
Accounts payable	-4,650		931	-3,719
Net cash provided (used) by operating activities	----- -4,909	----- -32,629	----- 10,709	----- -26,829

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

Governing Board
City of Estelline
Estelline, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, 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, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Estelline (City), Hamlin County, South Dakota, as of December 31, 2022 and for the one year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 8, 2023 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exist 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 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City in a separate Letter of Comments dated November 8, 2023.

City of Estelline

Report on Internal Control over Financial Reporting and on Compliance

Page Two

Report on Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

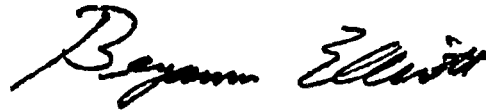
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 8, 2023

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Federal Compliance Audit finding:

The prior audit report was not subject to federal Single Audit requirements.

Prior Other Audit Findings:

The prior audit report had no written other audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Unmodified on:

Governmental Activities

Business-Type Activities

Major Funds

Aggregate Remaining Funds

Material noncompliance noted:

None Reported

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

None Reported