

**City of Hecla  
Schedule of Findings  
Independent Auditor's Report  
Basic Financial Statements and  
Supplementary Information  
For the Year Ended December 31, 2020**

**City of Hecla**

**City of Hecla  
City Officials  
December 31, 2020**

Jay Osterloh	Mayor	
Mary Freudenthal	Council Member	Ward I
Randy Pfutzenreuter	Council President	Ward I
Gene Skoglund	Council Member	Ward II
Chad Peterson	Council Member	Ward II
Terry Ulmer	Council Member	Ward III
Hal Treeby	Council Vice President	Ward III
Jessica Casey	Finance Officer	
Dana J. Frohling	Attorney	

**City of Hecla**

**City of Hecla  
Table of Contents**

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	2 – 3
Schedule of Prior and Current Audit Findings	4 – 5
Independent Auditor's Report	6 – 7
<i>Basic Financial Statements</i>	
<b><u>Government-wide Financial Statements:</u></b>	
Statement of Net Position – Modified Cash Basis	9
Statement of Activities – Modified Cash Basis	10 – 11
<b><u>Fund Financial Statements:</u></b>	
<b><u>Governmental Funds</u></b>	
Balance Sheet – Modified Cash Basis	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis	14 – 15
<b><u>Proprietary Funds</u></b>	
Statement of Net Position – Modified Cash Basis	18
Statement of Revenues, Expenses and Changes in Fund Net Positions – Modified Cash Basis	19
Statement of Cash Flows – Modified Cash Basis	20 – 21
Notes to the Modified Cash Basis Financial Statements	22 – 36
<i>Supplementary Information:</i>	
Budgetary Comparison Schedule – Budgetary Basis – General Fund	38 – 39
Notes to the Supplementary Information – Schedule of Budgetary Comparison	40
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	41
Schedule of the City's Contributions	42
Notes to the Supplementary Information – Pension Schedules	43
Schedule of Changes in Long-Term Debt	44

# **GRANT AND WILLIAMS, INC.**

## **Certified Public Accountants**

Rose M. Grant, CPA, MST, CGMA  
Aleene A. Williams, CPA  
Ladonna Clark, Enrolled Agent

312 S. Conklin Ave.  
Sioux Falls, SD 57103  
(605) 274-2163  
Fax: (605)-336-6783

[www.grantandwilliams.com](http://www.grantandwilliams.com)

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance With Government Auditing Standards**

Governing Board  
City of Hecla  
Hecla, South Dakota

We 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hecla, South Dakota (City), as of December 31, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 12, 2022.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of the 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 attention by those charged with governance.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2020-001 to be material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.

A handwritten signature in blue ink that reads "Grant and Williams, Inc." in a cursive script.

Grant and Williams Inc.  
Certified Public Accountants  
May 12, 2022

**City of Hecla**  
**Schedule of Prior and Current Audit Findings**

**Prior Other Audit Finding:**

*Finding Number 2019-001 – Segregation of Duties*

*Current status – The finding continues to exist and is restated as Finding 2020-001.*

*Finding Number 2019-002 – Financial Reporting*

*Current status – The finding has been corrected in 2020.*



**City of Hecla  
Schedule of Prior and Current Audit Findings**

**Current Other Audit Findings:**

***Internal Control-Related Findings – Material Weaknesses:***

**Finding Number 2020-001**

**Segregation of Duties** – A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues, expenditures and payroll, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This has been reported in the prior annual audit reports.

***Criteria:*** Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

***Condition:*** Two financial officers processed all revenue transactions from beginning to end. The finance officers were able to receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements and prepare financial statements. Due to a limited budget for City payroll, these employees are cross-trained and perform their duties as necessary to fill the administrative needs of the City.

***Effect:*** In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues, expenditures and payroll. Lack of this segregation of duties could adversely affect the City's ability to record, process, summarize and report financial data consistent with management assertions.

***Recommendation:*** We recommend that the City of Hecla's officials be cognizant of this lack of segregation of duties for revenues, expenditures and payroll and attempt to provide compensating controls whenever and wherever possible and practical.

***Management's Response:*** The City Council will continue to monitor the Finance Office's revenue process through monthly council reports and the implementation of compensating internal controls, whenever, and wherever possible.

***Conclusion*** – Response accepted.

**Closing Conference**

The contents of this report were discussed with Mayor Randy Pfutzenreuter, Council Member Terry Ulmer, and Finance Officer Jessica Casey on May 12, 2022.

# **GRANT AND WILLIAMS, INC.**

Certified Public Accountants

Rose M. Grant, CPA, MST, CGMA  
Aleene A. Williams, CPA

312 S. Conklin Ave.  
Sioux Falls, SD 57103  
(605) 274-2163  
Fax: (605)-336-6783

[www.grantandwilliams.com](http://www.grantandwilliams.com)

## **Independent Auditor's Report**

City Council of the  
City of Hecla  
Hecla, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hecla, South Dakota, (City) as of December 31, 2020 and for the year then 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.

### ***Management's Responsibility for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hecla, South Dakota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

## **Basis of Accounting**

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

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's financial statements. The Budgetary Comparison – Schedule Budgetary Basis – General Fund, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of the City's Contributions and Schedule of Changes in Long-Term Debt as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Grant and Williams, Inc.*

Grant and Williams Inc.  
Certified Public Accountants  
May 12, 2022

**City of Hecla, South Dakota  
Basic Financial Statements**

**City of Hecla**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 225,662.42	\$ 456,647.45	\$ 682,309.87
Investments	20,072.79	161,006.10	181,078.89
Restricted Assets:			
Cash and cash equivalents	1,381.77	27,019.07	28,400.84
Investments	79,571.97	21,620.61	101,192.58
<b>Total Assets</b>	<b>\$ 326,688.95</b>	<b>\$ 666,293.23</b>	<b>\$ 992,982.18</b>
<b>Net Position:</b>			
Restricted for:			
Debt Service Purposes	\$ -	\$ 20,554.13	\$ 20,554.13
Customer Deposits	-	28,085.55	28,085.55
Permanently Restricted Purposes			
Expendable	55,960.44	-	55,960.44
Non-Expendable	24,993.30	-	24,993.30
Unrestricted	245,735.21	617,653.55	863,388.76
<b>Total Net Position</b>	<b>\$ 326,688.95</b>	<b>\$ 666,293.23</b>	<b>\$ 992,982.18</b>

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

**City of Hecla**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General Government	\$ 124,333.64	\$ 400.00	\$ 12,261.65
Public Safety	4,318.94	-	-
Public Works	115,842.09	60,753.15	1,006.00
Health and Welfare	11,554.53	600.47	1,837.00
Culture and Recreation	9,366.67	4,465.24	-
<b>Total Governmental Activities</b>	<b>265,415.87</b>	<b>66,218.86</b>	<b>15,104.65</b>
<b>Business-type Activities:</b>			
Liquor	710,778.83	764,561.01	853.56
Water	114,962.30	99,981.71	-
Electric	311,605.57	356,543.24	-
Sewer	89,081.44	54,797.14	-
<b>Total Business-Type Activities</b>	<b>1,226,428.14</b>	<b>1,275,883.10</b>	<b>853.56</b>
<b>Total Primary Government</b>	<b>\$ 1,491,844.01</b>	<b>\$ 1,342,101.96</b>	<b>\$ 15,958.21</b>
<b>General Revenues:</b>			
Taxes:			
Property Taxes			
Sales Taxes			
State Shared Revenues			
Unrestricted Investment Earnings			
Debt Issued			
Miscellaneous Revenue			
Transfers			
Total General Revenues			
Change in Net Position			
Net Position-Beginning			
Net Position-Ending			

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

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (111,671.99)	\$ -	\$ (111,671.99)
(4,318.94)	-	(4,318.94)
(54,082.94)	-	(54,082.94)
(9,117.06)	-	(9,117.06)
(4,901.43)	-	(4,901.43)
(184,092.36)		(184,092.36)
	54,635.74	54,635.74
-	(14,980.59)	(14,980.59)
-	44,937.67	44,937.67
-	(34,284.30)	(34,284.30)
-	50,308.52	50,308.52
(184,092.36)	50,308.52	(133,783.84)
127,095.05	-	127,095.05
44,326.77	-	44,326.77
3,164.46	-	3,164.46
552.61	1,087.18	1,639.79
-	25,525.00	25,525.00
9,116.97	-	9,116.97
37,902.23	(37,902.23)	-
222,158.09	(11,290.05)	210,868.04
38,065.73	39,018.47	77,084.20
288,623.22	627,274.76	915,897.98
<u>\$ 326,688.95</u>	<u>\$ 666,293.23</u>	<u>\$ 992,982.18</u>

**City of Hecla, South Dakota  
Governmental Funds**



**City of Hecla**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**December 31, 2020**

	<u>General</u> <u>Fund</u>	<u>Not a Major Fund</u> <u>Ambulance</u> <u>Fund</u>	<u>Cemetery</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 225,662.42	\$ -	\$ -	\$ 225,662.42
Investments	20,072.79	-	-	20,072.79
Restricted Cash and Cash Equivalents	1,381.77	-	-	1,381.77
Restricted Investments	-	54,578.67	24,993.30	79,571.97
<b>Total Assets</b>	<u>247,116.98</u>	<u>54,578.67</u>	<u>24,993.30</u>	<u>326,688.95</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	24,993.30	24,993.30
Restricted	1,381.77	54,578.67	-	55,960.44
Unassigned	245,735.21	-	-	245,735.21
<b>Total Fund Balances</b>	<u>\$ 247,116.98</u>	<u>\$ 54,578.67</u>	<u>\$ 24,993.30</u>	<u>\$ 326,688.95</u>

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

**City of Hecla**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances - Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2020**

	General	Not a Major Fund		Total
	Fund	Ambulance	Cemetery	Governmental
	Fund	Fund	Fund	Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	\$ 126,675.07	\$ -	\$ -	\$ 126,675.07
General Sales and Use Taxes	44,326.77	-	-	44,326.77
Amusement Taxes	48.00	-	-	48.00
Penalties and Interest on				
Delinquent Taxes	419.98	-	-	419.98
<b>Total Taxes</b>	<b>171,469.82</b>	<b>-</b>	<b>-</b>	<b>171,469.82</b>
Licenses and Permits	400.00	-	-	400.00
<b>Intergovernmental Revenue:</b>				
Federal Grants	9,224.15	-	-	9,224.15
State Grants	1,837.00	-	-	1,837.00
<b>State Shared Revenue:</b>				
Bank Franchise Tax	1,545.22	-	-	1,545.22
Motor Vehicle Commercial Prorate	1,382.88	-	-	1,382.88
Liquor Tax Reversion	1,571.24	-	-	1,571.24
Motor Vehicle Licenses (5%)	9,387.13	-	-	9,387.13
Local Government Highway and				
Bridge Fund	16,741.79	-	-	16,741.79
<b>County Shared Revenue:</b>				
County Road Tax (25%)	206.00	-	-	206.00
County Wheel Tax	434.73	-	-	434.73
Other	800.00	-	-	800.00
<b>Total Intergovernmental Revenue</b>	<b>43,130.14</b>	<b>-</b>	<b>-</b>	<b>43,130.14</b>
<b>Charges for Goods and Services:</b>				
Sanitation	28,252.95	-	-	28,252.95
Culture and Recreation	4,465.24	-	-	4,465.24
Ambulance	600.47	-	-	600.47
Cemetery	4,553.67	-	-	4,553.67
<b>Total Charges for Goods and Services</b>	<b>37,872.33</b>	<b>-</b>	<b>-</b>	<b>37,872.33</b>
<b>Miscellaneous Revenue:</b>				
Investment Earnings	187.77	249.25	115.59	552.61
Rentals	1,840.00	-	-	1,840.00
<b>Contributions and Donations from</b>				
Private Sources	3,037.50	-	-	3,037.50
Other	7,256.97	-	-	7,256.97
<b>Total Miscellaneous Revenue</b>	<b>12,322.24</b>	<b>249.25</b>	<b>115.59</b>	<b>12,687.08</b>
<b>Total Revenue</b>	<b>\$ 265,194.53</b>	<b>\$ 249.25</b>	<b>\$ 115.59</b>	<b>\$ 265,559.37</b>

**City of Hecla**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances - Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2020**

	General Fund	Not a Major Fund		Total Governmental Funds
		Ambulance Fund	Cemetery Fund	
<b>Expenditures:</b>				
General Government:				
Legislative	\$ 22,712.76	\$ -	\$ -	\$ 22,712.76
Elections	570.10	-	-	570.10
Financial Administration	70,084.81	-	-	70,084.81
Other	30,965.97	-	-	30,965.97
Total General Government	124,333.64	-	-	124,333.64
Public Safety:				
Police	4,300.00	-	-	4,300.00
Other Protection	18.94	-	-	18.94
Total Public Safety	4,318.94	-	-	4,318.94
Public Works:				
Highways and Streets	76,563.34	-	-	76,563.34
Sanitation	32,602.81	-	-	32,602.81
Cemeteries	6,675.94	-	-	6,675.94
Total Public Works	115,842.09	-	-	115,842.09
Health and Welfare:				
Health	4,818.21	-	-	4,818.21
Ambulance	6,736.32	-	-	6,736.32
Total Health and Welfare	11,554.53	-	-	11,554.53
Culture and Recreation:				
Parks	9,366.67	-	-	9,366.67
Total Culture and Recreation	9,366.67	-	-	9,366.67
Total Expenditures	265,415.87	-	-	265,415.87
Excess of Revenues Over (Under)				
Expenditures	(221.34)	249.25	115.59	143.50
<b>Other Financing Sources (Uses):</b>				
Transfers, Net	38,818.64	-	(916.41)	37,902.23
Sale of City Property	20.00	-	-	20.00
Total Other Financing Sources (Uses)	38,838.64	-	(916.41)	37,922.23
Net Change in Fund Balance	38,617.30	249.25	(800.82)	38,065.73
Fund Balance - Beginning	208,499.68	54,329.42	25,794.12	288,623.22
Fund Balance- Ending	\$ 247,116.98	\$ 54,578.67	\$ 24,993.30	\$ 326,688.95

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

**City of Hecla, South Dakota**

## **Proprietary Funds**

**City of Hecla**  
**Statement of Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2020**

	<b>Enterprise Funds</b>				<b>Totals</b>
	<b>Liquor Fund</b>	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 184,486.33	\$ 21,460.74	\$ 241,937.92	\$ 8,762.46	\$ 456,647.45
Investments	-	5,670.52	152,787.87	2,547.71	161,006.10
Restricted Cash and Cash Equivalents	-	12,494.46	3,526.62	10,997.99	27,019.07
Restricted Investments	-	8,882.02	12,738.59	-	21,620.61
<b>Total Current Assets</b>	<b>184,486.33</b>	<b>48,507.74</b>	<b>410,991.00</b>	<b>22,308.16</b>	<b>666,293.23</b>
<b>Net Position:</b>					
Restricted for:					
Debt Service	-	9,556.14	-	10,997.99	20,554.13
Customer Deposits	-	11,820.34	16,265.21	-	28,085.55
Unrestricted	184,486.33	27,131.26	394,725.79	11,310.17	617,653.55
<b>Total Net Position</b>	<b>\$ 184,486.33</b>	<b>\$ 48,507.74</b>	<b>\$ 410,991.00</b>	<b>\$ 22,308.16</b>	<b>\$ 666,293.23</b>

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

**City of Hecla**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**- Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>				
	<b>Liquor Fund</b>	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>					
Charges for Goods and Services	\$ 438,147.83	\$ 99,977.50	\$ 356,543.24	\$ 54,797.14	\$ 949,465.71
Dedicated to Servicing Debt	-	4.21	-	-	4.21
Lottery Sales	326,092.57	-	-	-	326,092.57
Miscellaneous	320.61	-	-	-	320.61
<b>Total Operating Revenue</b>	<b>764,561.01</b>	<b>99,981.71</b>	<b>356,543.24</b>	<b>54,797.14</b>	<b>1,275,883.10</b>
<b>Operating Expenses:</b>					
Personal Services	128,135.02	13,452.04	100,263.10	14,677.54	256,527.70
Other Current Expense	180,027.20	28,560.62	32,875.86	49,916.07	291,379.75
Materials	402,616.61	41,618.10	164,386.61	3,490.71	612,112.03
<b>Total Operating Expenses</b>	<b>710,778.83</b>	<b>83,630.76</b>	<b>297,525.57</b>	<b>68,084.32</b>	<b>1,160,019.48</b>
<b>Operating Income (Loss)</b>	<b>53,782.18</b>	<b>16,350.95</b>	<b>59,017.67</b>	<b>(13,287.18)</b>	<b>115,863.62</b>
<b>Nonoperating Revenue (Expense):</b>					
Operating Grants	853.56	-	-	-	853.56
Investment Earnings	74.41	104.60	869.80	38.37	1,087.18
Debt Service (Principal)	-	(25,525.00)	-	(13,362.63)	(38,887.63)
Interest Expense	-	(186.54)	-	(2,014.49)	(2,201.03)
Capital Assets	-	(5,620.00)	(14,080.00)	(5,620.00)	(25,320.00)
Debt Issued	-	25,525.00	-	-	25,525.00
<b>Total Nonoperating Revenue (Expense)</b>	<b>927.97</b>	<b>(5,701.94)</b>	<b>(13,210.20)</b>	<b>(20,958.75)</b>	<b>(38,942.92)</b>
<b>Income (Loss) Before Transfers</b>	<b>54,710.15</b>	<b>10,649.01</b>	<b>45,807.47</b>	<b>(34,245.93)</b>	<b>76,920.70</b>
Transfers, Net	(36,795.87)	(19,115.20)	18,042.20	(33.36)	(37,902.23)
<b>Change in Net Position</b>	<b>17,914.28</b>	<b>(8,466.19)</b>	<b>63,849.67</b>	<b>(34,279.29)</b>	<b>39,018.47</b>
<b>Net Position - Beginning</b>	<b>166,572.05</b>	<b>56,973.93</b>	<b>347,141.33</b>	<b>56,587.45</b>	<b>627,274.76</b>
<b>Net Position - Ending</b>	<b>\$ 184,486.33</b>	<b>\$ 48,507.74</b>	<b>\$ 410,991.00</b>	<b>\$ 22,308.16</b>	<b>\$ 666,293.23</b>

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

**City of Hecla**  
**Statement of Cash Flows - Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2020**

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers	\$ 764,801.01	\$ 99,981.71	\$ 356,543.24	\$ 54,797.14	\$ 1,276,123.10
(Payments) to Suppliers	(402,616.61)	(41,618.10)	(164,386.61)	(3,490.71)	(612,112.03)
(Payments) to Employees	(128,135.02)	(13,452.04)	(100,263.10)	(14,677.54)	(256,527.70)
Repayment of Customer Deposits	-	(385.00)	(695.00)	-	(1,080.00)
Other Receipts (Payments)	(180,267.20)	(28,175.62)	(32,180.86)	(49,916.07)	(290,539.75)
Net Cash Provided (Used) by Operating Activities	53,782.18	16,350.95	59,017.67	(13,287.18)	115,863.62
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating Subsidies					-
Transfer Net	(36,795.87)	(19,115.20)	18,042.20	(33.36)	(37,902.23)
Net Cash Provided (Used) by Noncapital Financing Activities	(36,795.87)	(19,115.20)	18,042.20	(33.36)	(37,902.23)
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase (Paid) of Capital Assets	-	(5,620.00)	(14,080.00)	(5,620.00)	(25,320.00)
Proceeds from Capital Debt	-	25,525.00	-	-	25,525.00
Principal (Paid) on Capital Debt	-	(25,525.00)	-	(13,362.63)	(38,887.63)
Interest (Paid) on Capital Debt	-	(186.54)	-	(2,014.49)	(2,201.03)
Grants	853.56	-	-	-	853.56
Net Cash Provided (Used) by Capital and Related Financing	853.56	(5,806.54)	(14,080.00)	(20,997.12)	(40,030.10)



**City of Hecla**  
**Statement of Cash Flows - Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>				
	<b>Liquor Fund</b>	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Cash Flows From Investing Activities:</b>					
Interest Earnings	74.41	104.60	869.80	38.37	1,087.18
Net Cash Provided (Used) by Investing Activities	74.41	104.60	869.80	38.37	1,087.18
Net Increase (Decrease) In Cash and Cash Equivalents	17,914.28	(8,466.19)	63,849.67	(34,279.29)	39,018.47
Cash and Cash Equivalents - Beginning	166,572.05	56,973.93	347,141.33	56,587.45	627,274.76
Cash and Cash Equivalents - Ending	\$ 184,486.33	\$ 48,507.74	\$ 410,991.00	\$ 22,308.16	\$ 666,293.23
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>					
Operating Income (Loss)	\$ 53,782.18	\$ 16,350.95	\$ 59,017.67	\$ (13,287.18)	\$ 115,863.62

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

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

**1. Summary of Significant Accounting Policies:**

As discussed further in Note 1.c. these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (USGAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

**a. Financial Reporting Entity:**

The reporting entity of the City of Hecla (City) consists of 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); those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

**b. Basis of Presentation:**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. 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 a whole or in a part by fees charged to external parties for goods or services.

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

*Fund Financial Statements:*

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total of all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined or

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

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

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

Ambulance Fund – is to account for the collection of funds for the Ambulance Service. This is not a major fund.

Cemetery Fund – is to account for the payments received for the Cemetery to maintain and care for the Cemetery. This is not a major fund.

**Proprietary Funds:**

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

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

Liquor Fund – financed primarily by user charges; this fund accounts for the operations of the City bar. (SDCL 35-3-21) This is a major fund.

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

Electric Fund – financed primarily by user charges; this fund accounts for the construction and operation of the City electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

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

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

**c. Measurement Focus and Basis of Accounting**

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

The City’s basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

*Measurement Focus:*

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

*Basis of Accounting:*

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

- Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from date of acquisition) acquired with cash assets at cost.

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

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

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

**d. Deposits and Investments:**

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

**e. Capital Assets:**

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the City and the related depreciation are not reported on the financial statements of the City.

**f. Long-Term Liabilities:**

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The City has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

**g. Program Revenues:**

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

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

**h. Proprietary Funds Revenues and Expense Classifications:**

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

**i. Cash and Cash Equivalents:**

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

**j. Equity Classifications:**

*Government-Wide Statements:*

Equity is classified as Net Position and is displayed in two components:

1. **Restricted Net Position** – consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. **Unrestricted Net Position** – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

**k. Application of Net Position:**

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**l. Fund Balance Classification Policies and Procedures:**

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- **Nonspendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council or Mayor.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as the Cemetery Fund donations for maintaining the Cemetery.

The City Governing Board has not committed any fund balance types in the current year.

The City uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

	General Fund	Ambulance Fund	Cemetery Fund	Total
<b>Fund Balances:</b>				
Nonspendable				
Cemetery	\$ -	\$ -	\$ 24,993.30	\$ 24,993.30
Restricted				
Cemetery	1,381.77	-	-	1,381.77
Ambulance	-	54,578.67	-	54,578.67
Unassigned	245,735.21	-	-	245,735.21
<b>Total Fund Balances</b>	<b>\$ 247,116.98</b>	<b>\$ 54,578.67</b>	<b>\$ 24,993.30</b>	<b>\$ 326,688.95</b>

**2. Violations of Finance-Related Legal and Contractual Provisions:**

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The City did not exceed the budget in the General Fund in the current year.

**3. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:**

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

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

**Investments** – In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or they may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

As of December 31, 2020, the City did not have any investments. The investments reported in the financial statements consist of only an external investment pool which is considered a money market.

**Credit Risk** – State law limits eligible investments for the City as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2020, the City had the following investments. All investments are in an external investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pool:			
SDFIT	Unrated		\$ 282,271.47
Total Investments			<u>\$ 282,271.47</u>

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

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, the City did not have any investment exposed to such credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that is in the possession of an outside party.

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the General Fund, including investment income generated by the Cemetery Fund, which must be credited to the General Fund, and used only for maintenance of the City cemetery, as required by SDCL 9-32-18. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.



**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

**4. Restricted Cash and Investments:**

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 54,578.67	Ambulance Replacement
\$ 1,381.77	Cemetery Maintenance - Spendable
\$ 24,993.30	Cemetery Maintenance - Nonspendable
\$ 11,820.34	Water Customer Deposits
\$ 16,265.21	Electric Customer Deposits
\$ 9,556.14	Water Debt Service
\$ 10,997.99	Sewer Debt Service

**5. Property Taxes:**

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

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

**6. Restricted Net Position:**

Restricted Net Position for the year ended December 31, 2020 was as follows:

**Major Purposes:**

**Restricted Purposes:**

Cemetery Maintenance	\$ 1,381.77
Ambulance Replacement	<u>54,578.67</u>
	<u>\$ 55,960.44</u>

**Permanently Restricted Purposes:**

Cemetery Maintenance	<u>24,993.30</u>
	<u>\$ 24,993.30</u>

**Other Purposes:**

Water Customer Deposits	\$ 11,820.34
Electric Customer Deposits	16,265.21
Water Debt Service	9,556.14
Sewer Debt Service	<u>10,997.99</u>
	<u>\$ 48,639.68</u>

These balances are restricted due to federal and statutory requirements.

**7. Tax Abatements:**

Governmental Accounting Standards Board Statement No. 77 *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific

**City of Hecla  
Notes to the Modified Cash Basis  
Financial Statements**

action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments of citizens of those governments.

There were no tax abatements by the City or other governments that reduced the property tax revenues for the year ended December 31, 2020.

**8. Interfund Transfers:**

Interfund transfers for the year ended December 31, 2020 were as follows:

**Statement of Revenues, Expenditures and  
Changes in Fund Balances - Modified Cash Basis -  
Governmental Funds**

		<u>Amount</u>
<u>Transfer From:</u>	<u>Transfer to:</u>	<u>2020</u>
Liquor Fund	General Fund	36,795.87
Electric Fund	General Fund	869.80
Water Fund	General Fund	203.20
Sewer Fund	General Fund	33.36
Cemetery Fund	General Fund	<u>916.41</u>
		38,818.64
Cemetery Fund	General Fund	<u>(916.41)</u>
		<u>\$ 37,902.23</u>

**Statement of Revenues, Expenditures and  
Changes in Fund Balances - Modified Cash Basis -  
Proprietary Funds**

		<u>Amount</u>
<u>Transfer From:</u>	<u>Transfer to:</u>	<u>2020</u>
Liquor Fund	General Fund	<u>(36,795.87)</u>
		(36,795.87)
Water Fund	Electric Fund	(18,912.00)
Water Fund	General Fund	<u>(203.20)</u>
		(19,115.20)
Water Fund	Electric Fund	18,912.00
Electric Fund	General Fund	<u>(869.80)</u>
		18,042.20
Sewer Fund	General Fund	<u>(33.36)</u>
		<u>\$ (37,902.23)</u>

The above transfers were for interfund loan payments and transferring of interest income to the General Fund.

**9. Pension Plan:**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

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://www.sdrs.sd.gov/publications/> or writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund 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 retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/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 Cost-of-Living Adjustment (COLA) process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in 3<sup>rd</sup> 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 3<sup>rd</sup> 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.

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

**City of Hecla  
Notes to the Modified Cash Basis  
Financial Statements**

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 13,540.27
2019	\$ 13,734.93
2018	\$ 11,607.15

**Pension Liability (Assets):**

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension liability (asset). The proportionate shares of the components of the net pension liability (asset) of South Dakota Retirement System, for the City as of December 31, 2020 measurement period ending June 30, 2020 and reported are as follows:

Proportionate share of pension liability	\$ 1,320,611.89
Less proportionate share of net pension restricted for pension benefits	<u>1,321,078.45</u>
Proportionate share of net pension liability (asset)	<u>\$ (466.56)</u>

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (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, 2020, the City's proportion was 0.01074280%, which is an increase of 0.0007131% from its proportion measured as of June 30, 2019.

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of Jul 1, 2011 to June 30, 2016.

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 180,993.47	\$ (466.56)	\$ (148,897.28)

**Pension Plan Fiduciary Net Position:**

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



**City of Hecla  
Notes to the Modified Cash Basis  
Financial Statements**

**10. Related Party Transactions**

The City purchased supplies and equipment from the Hecla Implement totaling \$1,852.70 as permitted by SDCL 6-1-2 (2) as there is no other source these products in the community. The owner of Hecla Implement is the Mayor of Hecla during the year 2020.

**11. Significant Contingencies – Litigation**

At December 31, 2020, the City was not involved in any litigation.

**12. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the City managed its risks as follows:

**Employee Health Insurance:**

The City joined the South Dakota City League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. Under the U.S. Health Care Law it is no longer allowed for the insurance companies to set a dollar limit on essential health benefits for either annual or lifetime coverage.

**Liability Insurance:**

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Member's Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for public official bonds, auto liability, miscellaneous, general liability, employee dishonesty and liquor liability.

Effective January 1, 2019 the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the City is considered a deposit for financial reporting purposes.

As of December 31, 2020, the City's balance available to be refunded per the SDPAA was \$36,790, which was an increase of \$1,816 from the previous year. The change in the amount available for refund was not recorded in the modified cash basis accounting records.

The City carries a \$5,000 deductible for wrongful acts and no deductible for public official bonds, auto liability, miscellaneous, general liability and liquor liability.

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

Workmen's Compensation:

The City joined the South Dakota City League Worker's 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 an additional \$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 during the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**13. Commitments and Contracts**

The City has numerous operating agreements in place, as follows:

The City entered into a solid waste collection agreement with Dependable Sanitation in November 2020 wherein the city finance office collects the fees from residents and businesses, and remits them to the hauler. These transactions are conducted through the general fund.

The City contracted with BDM Rural Water System on December 8, 2008 for the purchase of potable water. The monthly service charge in the amount of \$1.50 per 1,000 gallons of metered water is paid by

**City of Hecla**  
**Notes to the Modified Cash Basis**  
**Financial Statements**

the City in the month following the month of use. Effective July 1, 2019 the monthly service charge increased to \$3.70 per 1,000 gallons of metered water. Additionally, there will be a payment of \$937.50 due to BDM by the 10<sup>th</sup> of the month to repay costs of connecting to the BDM Rural Water System. This contract is for a term of 40 years, beginning on the date of initial water delivery in April, 2009. This is paid from the Water Fund.

**14. Interfund Loan**

In 2019 the Electric Fund loaned the Water Fund \$73,329.05 to pay off the USDA RD Revenue Bonds #1. The Water Fund will make payments of \$788 each month for 92 months at 0% interest rate. The Water Fund made payments totaling \$18,912 for the 2019 and 2020 payments. The remaining balance at December 31, 2020 is \$44,961.05.

In 2018 the General Fund loaned the Liquor Fund \$60,000 at 0% interest for the start up the Bar operations under the City's management. The Liquor Fund made the final payment of \$30,000 during 2020.

**15. Subsequent Events**

The City has evaluated for subsequent events through May 12, 2022, the date the financial statements were available to be issued. The City is not aware of any subsequent events which would be require recognition or disclosure in the financial statements. A nonrecognized subsequent event that has occurred, but the impact of COVID-19 pandemic cannot be determined for the City at this time.



**City of Hecla**  
**Supplementary Information**

**City of Hecla**  
**Budgetary Comparison Schedule - Budgetary Basis**  
**General Fund**  
**For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
General Property Taxes	\$ 130,705.00	\$ 130,705.00	\$ 126,675.07	\$ (4,029.93)
General Sales and Use Taxes	51,850.00	51,850.00	44,326.77	(7,523.23)
Amusement Taxes	75.00	75.00	48.00	(27.00)
Tax Deed Revenue	1,000.00	1,000.00	-	(1,000.00)
Penalties and Interest on Delinquent Taxes	800.00	800.00	419.98	(380.02)
<b>Total Taxes</b>	<u>184,430.00</u>	<u>184,430.00</u>	<u>171,469.82</u>	<u>(12,960.18)</u>
Licenses and Permits	<u>375.00</u>	<u>375.00</u>	<u>400.00</u>	<u>25.00</u>
Federal Grants	-	-	9,224.15	9,224.15
State Grants	-	-	1,837.00	1,837.00
Bank Franchise Tax	2,000.00	2,000.00	1,545.22	(454.78)
Motor Vehicle Commercial Prorate	1,500.00	1,500.00	1,382.88	(117.12)
Liquor Tax Reversion	1,600.00	1,600.00	1,571.24	(28.76)
Motor Vehicle Licenses (5%)	9,800.00	9,800.00	9,387.13	(412.87)
Local Government Highway and Bridge Fund	18,000.00	18,000.00	16,741.79	(1,258.21)
County Road Tax (25%)	300.00	300.00	206.00	(94.00)
County Wheel Tax	600.00	600.00	434.73	(165.27)
Other	<u>1,000.00</u>	<u>1,000.00</u>	<u>800.00</u>	<u>(200.00)</u>
<b>Total Intergovernmental Revenue</b>	<u>34,800.00</u>	<u>34,800.00</u>	<u>43,130.14</u>	<u>8,330.14</u>
Sanitation	30,000.00	30,000.00	28,252.95	(1,747.05)
Culture and Recreation	5,300.00	5,300.00	4,465.24	(834.76)
Ambulance	-	-	600.47	600.47
Cemetery	<u>3,400.00</u>	<u>3,400.00</u>	<u>4,553.67</u>	<u>1,153.67</u>
<b>Total Charges for Goods and Services</b>	<u>38,700.00</u>	<u>38,700.00</u>	<u>37,872.33</u>	<u>(827.67)</u>
Investment Earnings	400.00	400.00	187.77	(212.23)
Rentals	2,800.00	2,800.00	1,840.00	(960.00)
Contributions and Donations from Private Sources	2,800.00	2,800.00	3,037.50	237.50
Other	<u>3,475.00</u>	<u>3,475.00</u>	<u>7,256.97</u>	<u>3,781.97</u>
<b>Total Miscellaneous Revenue</b>	<u>9,475.00</u>	<u>9,475.00</u>	<u>12,322.24</u>	<u>2,847.24</u>
<b>Total Revenue</b>	<u>267,780.00</u>	<u>267,780.00</u>	<u>265,194.53</u>	<u>(2,585.47)</u>

**City of Hecla**  
**Budgetary Comparison Schedule - Budgetary Basis**  
**General Fund**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
Legislative	17,650.00	22,950.00	22,712.76	237.24
Contingency Amount Transferred	10,000.00	10,000.00	-	10,000.00
Elections	350.00	850.00	570.10	279.90
Financial Administration	63,300.00	70,800.00	70,084.81	715.19
Other	47,250.00	47,250.00	30,965.97	16,284.03
<b>Total General Government</b>	<b>138,550.00</b>	<b>151,850.00</b>	<b>124,333.64</b>	<b>27,516.36</b>
Police	6,450.00	6,450.00	4,300.00	2,150.00
Other Protection	525.00	525.00	18.94	506.06
<b>Total Public Safety</b>	<b>6,975.00</b>	<b>6,975.00</b>	<b>4,318.94</b>	<b>2,656.06</b>
Highways and Streets	72,800.00	80,800.00	76,563.34	4,236.66
Sanitation	37,900.00	37,900.00	32,602.81	5,297.19
Cemetery	7,350.00	7,350.00	6,675.94	674.06
<b>Total Public Works</b>	<b>118,050.00</b>	<b>126,050.00</b>	<b>115,842.09</b>	<b>10,207.91</b>
Health	8,575.00	8,575.00	4,818.21	3,756.79
Ambulance	6,200.00	8,200.00	6,736.32	1,463.68
<b>Total Health and Welfare</b>	<b>14,775.00</b>	<b>16,775.00</b>	<b>11,554.53</b>	<b>5,220.47</b>
Parks	9,680.00	9,680.00	9,366.67	313.33
Libraries	900.00	900.00	-	900.00
<b>Total Culture and Recreation</b>	<b>10,580.00</b>	<b>10,580.00</b>	<b>9,366.67</b>	<b>1,213.33</b>
<b>Total Expenditures</b>	<b>288,930.00</b>	<b>312,230.00</b>	<b>265,415.87</b>	<b>46,814.13</b>
Excess of Revenue Over (Under)				
Expenditures	(21,150.00)	(44,450.00)	(221.34)	44,228.66
<b>Other Financing Sources (Uses):</b>				
Transfers, Net	30,200.00	30,200.00	38,818.64	8,618.64
Sale of City Property	100.00	100.00	20.00	(80.00)
<b>Total Other Financing Sources (Uses)</b>	<b>30,300.00</b>	<b>30,300.00</b>	<b>38,838.64</b>	<b>8,538.64</b>
<b>Net Change in Fund Balances</b>	<b>9,150.00</b>	<b>(14,150.00)</b>	<b>38,617.30</b>	<b>52,767.30</b>
Fund Balance - Beginning	208,499.68	208,499.68	208,499.68	-
Adjusted Fund Balance - Beginning	208,499.68	208,499.68	208,499.68	-
<b>FUND BALANCE - ENDING</b>	<b>\$ 217,649.68</b>	<b>\$ 194,349.68</b>	<b>\$ 247,116.98</b>	<b>\$ 52,767.30</b>

**City of Hecla**  
**Notes to Supplementary Information**  
**Schedules of Budgetary Comparisons for the General Fund**

**Note 1. Budgets and Budgetary Accounting:**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the City budget and may be transferred by resolution of the City Council to any other budget category, except for capital outlay, that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end, unless encumbered by resolution of the City Council. The City did not encumber any amounts at December 31, 2020.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.

**Note 2. Other Comprehensive Basis of Accounting-Modified Cash Basis/Budgetary Accounting Basis Differences:**

The financial statements prepared in conformity with Other Comprehensive Basis of Accounting-Modified Cash Basis 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 related. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances; however, in the Budgetary Required Supplementary Information Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**Supplementary Information**  
**City of Hecla**  
**Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)**  
**South Dakota Retirement System**

Last 6 Years \*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability/asset	0.0107428%	0.0100297%	0.0075937%	0.0078699%	0.0078189%	0.0083164%
City's proportionate share of net pension liability (asset)	(\$466.56)	(\$1,062.87)	(\$177.10)	(\$714.20)	\$26,411.48	(\$35,272.23)
City's covered payroll	\$228,560	\$219,681	\$158,061	\$159,623	\$147,534	\$151,839
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.204%)	(0.484%)	(0.112%)	(0.447%)	17.902%	(23.230%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

\* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for

**Supplementary Information**  
**City of Hecla**  
**Schedule of the City's Pension Contributions**  
**South Dakota Retirement System**  
**\* Last 6 Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,540	\$ 13,735	\$ 11,607	\$ 9,508	\$ 8,827	\$ 9,180
Contributions in relation to the contractually required contribution	<u>\$ 13,540</u>	<u>\$ 13,735</u>	<u>\$ 11,607</u>	<u>\$ 9,508</u>	<u>\$ 8,827</u>	<u>\$ 9,180</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 225,671	\$ 228,916	\$ 193,588	\$ 158,464	\$ 146,844	\$ 152,996
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

\* Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**City of Hecla**  
**Notes to Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability (Asset)**

**Changes from Prior Valuation**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

**Benefit Provision Changes**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the Fair Value Funded Ratio (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%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.

**City of Hecla**  
**Schedule of Changes in Long-Term Debt**  
**For the Year Ended December 31, 2020**

<u>Indebtedness</u>	<u>Long-Term Debt 1/1/2020</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/2020</u>
<b>Enterprise Long-Term Debt:</b>				
Revenue Bonds - Sewer	\$ 8,425.37	\$ -	\$ 8,425.37	\$ -
Revenue Bonds - Water	-	25,525.00	25,525.00	-
Revenue Bonds - Sewer	<u>63,740.72</u>	<u>-</u>	<u>4,373.80</u>	<u>59,366.92</u>
<b>Total</b>	<u>\$ 72,166.09</u>	<u>\$ 25,525.00</u>	<u>\$ 38,324.17</u>	<u>\$ 59,366.92</u>

**Revenue Bonds:**

Sanitary Sewer Replacement Project Loan, matures on January 15, 2032; Interest rate 3%; quarterly payments of \$903.72; financed through the Sewer Fund.

59,366.92  
\$ 59,366.92