

CITY OF BOX ELDER, SOUTH DAKOTA

Financial Statements

December 31, 2024



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Box Elder, South Dakota (the City) as of and for the year ended December 31, 2024, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 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 for 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*, we:

- 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 our 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.

We are 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 we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, Notes to the Supplementary Information, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, Notes to the Supplementary Information, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

We have applied certain limited procedures to the budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Management is responsible for the other information. The other information comprises the Schedule of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
May 5, 2025

BASIC FINANCIAL STATEMENTS

City of Box Elder, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,668,295	\$ 3,255,420	\$ 9,923,715
TOTAL ASSETS	<u>\$ 6,668,295</u>	<u>\$ 3,255,420</u>	<u>\$ 9,923,715</u>
NET POSITION			
Restricted for:			
Debt Service	\$ 2,249,717	\$ -	\$ 2,249,717
Construction and City Promotion	4,418,578	-	4,418,578
Customer Deposits	-	376,752	376,752
Unrestricted	<u>-</u>	<u>2,878,668</u>	<u>2,878,668</u>
TOTAL NET POSITION	<u>\$ 6,668,295</u>	<u>\$ 3,255,420</u>	<u>\$ 9,923,715</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2024

Functions/Programs	Disbursements	Charges for Services	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
			Capital Grants, Loans, and Contributions	Operating Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 2,134,826	\$ 752,665	\$ -	\$ -	\$ (1,382,161)	\$ -	\$ (1,382,161)
Public Safety	3,691,100	25,873	-	148,776	(3,516,451)	-	(3,516,451)
Public Works	8,955,922	-	4,079,410	-	(4,876,512)	-	(4,876,512)
Culture and Recreation	687,167	64,773	-	-	(622,394)	-	(622,394)
Conservation and Development	3,967,780	-	1,878,625	-	(2,089,155)	-	(2,089,155)
Long-term Debt	2,148,870	-	-	-	(2,148,870)	-	(2,148,870)
Total Governmental Activities	21,585,665	843,311	5,958,035	148,776	(14,635,543)	-	(14,635,543)
Business-type Activities:							
Water	3,933,697	3,588,071	-	-	-	(345,626)	(345,626)
Sewer	2,320,709	2,589,466	-	-	-	268,757	268,757
Solid Waste	458,104	468,940	-	-	-	10,836	10,836
Total Business-type Activities	6,712,510	6,646,477	-	-	-	(66,033)	(66,033)
TOTAL PRIMARY GOVERNMENT	\$ 28,298,175	\$ 7,489,788	\$ 5,958,035	\$ 148,776	(14,635,543)	(66,033)	(14,701,576)
GENERAL RECEIPTS							
Taxes:							
Property Taxes					3,854,182	-	3,854,182
Sales Taxes					4,997,119	-	4,997,119
State Shared Receipts					266,328	-	266,328
Unrestricted Investment Earnings					491,622	-	491,622
Miscellaneous Receipts					212,925	-	212,925
Sale of Municipal Property					3,742	-	3,742
Insurance Proceeds					248,004	-	248,004
Transfers					433,424	(433,424)	-
Total General Receipts					10,507,346	(433,424)	10,073,922
CHANGE IN NET POSITION					(4,128,197)	(499,457)	(4,627,654)
NET POSITION - BEGINNING					10,796,492	3,754,877	14,551,369
NET POSITION - ENDING					\$ 6,668,295	\$ 3,255,420	\$ 9,923,715

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Hotel Way - Special Revenue Fund	Capital Projects Fund	Event Center Project Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 250,528	\$ 337,016	\$ 3,186,185	\$ 168,599	\$ 1,451,778	\$ -	\$ 1,274,189	\$ 6,668,295
TOTAL ASSETS	<u>\$ 250,528</u>	<u>\$ 337,016</u>	<u>\$ 3,186,185</u>	<u>\$ 168,599</u>	<u>\$ 1,451,778</u>	<u>\$ -</u>	<u>\$ 1,274,189</u>	<u>\$ 6,668,295</u>
FUND BALANCES								
Restricted:								
Debt Service	\$ 250,528	\$ -	\$ 725,000	\$ -	\$ -	\$ -	\$ 1,274,189	\$ 2,249,717
Construction and City Promotion	-	337,016	2,461,185	168,599	1,451,778	-	-	4,418,578
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 250,528</u>	<u>\$ 337,016</u>	<u>\$ 3,186,185</u>	<u>\$ 168,599</u>	<u>\$ 1,451,778</u>	<u>\$ -</u>	<u>\$ 1,274,189</u>	<u>\$ 6,668,295</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Hotel Way - Special Revenue Fund	Capital Projects Fund	Event Center Project Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
RECEIPTS								
Taxes:								
General Property Taxes	\$ 2,385,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,465,618	\$ 3,850,643
General Sales and Use Taxes	4,564,929	432,190	-	-	-	-	-	4,997,119
Penalties and Interest on Delinquent Taxes	3,539	-	-	-	-	-	-	3,539
Licenses and Permits	652,288	-	-	-	-	-	-	652,288
Intergovernmental Receipts:								
Federal Grants	199,187	-	-	-	1,592,085	-	-	1,791,272
State Grants	436,914	-	-	-	-	-	-	436,914
State Shared Receipts:								
Bank Franchise Tax	32,775	-	-	-	-	-	-	32,775
Prorate License Fee	8,718	-	-	-	-	-	-	8,718
Liquor Tax Reversion	80,333	-	-	-	-	-	-	80,333
Motor Vehicle Licenses	106,322	-	-	-	-	-	-	106,322
Local Government Highway and Bridge Fund	34,055	-	-	-	-	-	-	34,055
Other	4,125	-	-	-	-	-	-	4,125
Charges for Goods and Services:								
General Government	100,377	-	-	-	-	-	-	100,377
Public Safety	25,873	-	-	-	-	-	-	25,873
Court Fines and Forfeits	16,527	-	-	-	-	-	-	16,527
Miscellaneous Receipts:								
Investment Earnings	484,829	-	6,793	-	-	-	-	491,622
Special Assessments	-	-	1,878,327	-	-	-	-	1,878,327
Contributions and Donations from Private Sources	-	64,773	298	-	-	-	-	65,071
Other	195,139	1,259	-	-	-	-	-	196,398
Total Receipts	<u>9,330,955</u>	<u>498,222</u>	<u>1,885,418</u>	<u>-</u>	<u>1,592,085</u>	<u>-</u>	<u>1,465,618</u>	<u>14,772,298</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds (Continued)
For the Year Ended December 31, 2024

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Hotel Way - Special Revenue Fund	Capital Projects Fund	Event Center Project Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
DISBURSEMENTS								
General Government:								
Executive	734,367	-	-	-	-	-	-	734,367
Financial Administration	1,400,459	-	-	-	-	-	-	1,400,459
Public Safety:								
Police	3,596,007	-	-	-	-	-	-	3,596,007
Public Works:								
Highways and Streets	2,682,356	-	-	-	381,754	-	-	3,064,110
Planning and Zoning	934,561	-	-	-	-	-	-	934,561
Culture and Recreation:								
Parks	682,208	-	-	-	-	-	-	682,208
Conservation and Development:								
Economic Development	-	571,914	156,451	-	-	-	-	728,365
Debt Service	621,799	-	1,435,505	-	-	-	91,566	2,148,870
Capital Outlay	109,970	44,904	603,058	2,141,827	4,947,333	449,626	-	8,296,718
Total Disbursements	<u>10,761,727</u>	<u>616,818</u>	<u>2,195,014</u>	<u>2,141,827</u>	<u>5,329,087</u>	<u>449,626</u>	<u>91,566</u>	<u>21,585,665</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,430,772)	(118,596)	(309,596)	(2,141,827)	(3,737,002)	(449,626)	1,374,052	(6,813,367)
OTHER FINANCING SOURCES (USES)								
Transfers In	125,000	-	-	145,216	616,751	-	-	886,967
Transfers Out	(208,327)	-	(145,216)	-	-	-	(100,000)	(453,543)
Sale of Municipal Property	3,742	-	-	-	-	-	-	3,742
Insurance Proceeds	248,004	-	-	-	-	-	-	248,004
Settlement Proceeds	-	-	-	2,000,000	-	-	-	2,000,000
Net Other Financing Sources (Uses)	<u>168,419</u>	<u>-</u>	<u>(145,216)</u>	<u>2,145,216</u>	<u>616,751</u>	<u>-</u>	<u>(100,000)</u>	<u>2,685,170</u>
CHANGE IN FUND BALANCES	(1,262,353)	(118,596)	(454,812)	3,389	(3,120,251)	(449,626)	1,274,052	(4,128,197)
FUND BALANCE - BEGINNING, RESTATED	<u>1,512,881</u>	<u>455,612</u>	<u>3,640,997</u>	<u>165,210</u>	<u>4,572,029</u>	<u>449,626</u>	<u>137</u>	<u>10,796,492</u>
FUND BALANCE - ENDING	<u>\$ 250,528</u>	<u>\$ 337,016</u>	<u>\$ 3,186,185</u>	<u>\$ 168,599</u>	<u>\$ 1,451,778</u>	<u>\$ -</u>	<u>\$ 1,274,189</u>	<u>\$ 6,668,295</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Statement of Net Position - Modified Cash Basis - Proprietary Funds
December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,950,441	\$ 1,220,634	\$ 84,345	\$ 3,255,420
TOTAL ASSETS	<u>\$ 1,950,441</u>	<u>\$ 1,220,634</u>	<u>\$ 84,345</u>	<u>\$ 3,255,420</u>
NET POSITION				
Restricted:				
Customer Deposits	\$ 376,752	\$ -	\$ -	\$ 376,752
Unrestricted	<u>1,573,689</u>	<u>1,220,634</u>	<u>84,345</u>	<u>2,878,668</u>
TOTAL NET POSITION	<u>\$ 1,950,441</u>	<u>\$ 1,220,634</u>	<u>\$ 84,345</u>	<u>\$ 3,255,420</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Net Position -
Modified Cash Basis - Proprietary Funds
For the Year Ended December 31, 2024

	Water Fund	Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING RECEIPTS				
Charges for Goods and Services	\$ -	\$ 2,334,334	\$ 468,940	\$ 2,803,274
Revenues Pledged for Debt Repayment	2,993,336	-	-	2,993,336
Surcharge as Security for Debt	594,735	255,132	-	849,867
Total Operating Receipts	<u>3,588,071</u>	<u>2,589,466</u>	<u>468,940</u>	<u>6,646,477</u>
OPERATING DISBURSEMENTS				
Personnel Services	1,171,941	812,764	43,802	2,028,507
Repairs and Maintenance	398,069	50,307	-	448,376
Other Current Disbursements	777,947	1,452,679	414,302	2,644,928
Total Operating Disbursements	<u>2,347,957</u>	<u>2,315,750</u>	<u>458,104</u>	<u>5,121,811</u>
Operating Income	<u>1,240,114</u>	<u>273,716</u>	<u>10,836</u>	<u>1,524,666</u>
NONOPERATING DISBURSEMENTS				
Capital Purchases	(4,959)	(4,959)	-	(9,918)
Debt Service (Principal)	(1,477,647)	-	-	(1,477,647)
Debt Service (Interest)	(103,134)	-	-	(103,134)
Total Nonoperating Disbursements	<u>(1,585,740)</u>	<u>(4,959)</u>	<u>-</u>	<u>(1,590,699)</u>
TRANSFERS				
Transfers Out	<u>(342,222)</u>	<u>(91,202)</u>	<u>-</u>	<u>(433,424)</u>
CHANGE IN NET POSITION	(687,848)	177,555	10,836	(499,457)
NET POSITION - BEGINNING	<u>2,638,289</u>	<u>1,043,079</u>	<u>73,509</u>	<u>3,754,877</u>
NET POSITION - ENDING	<u>\$ 1,950,441</u>	<u>\$ 1,220,634</u>	<u>\$ 84,345</u>	<u>\$ 3,255,420</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the City are described below:

Governmental Funds:

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

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

Liquor, Lodging, and Dining Gross Receipts Tax Fund - To account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions. This tax shall be used for land acquisition, architectural fees, construction costs, and payments for the civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and promotion and advertising of the City per SDCL 10-52A-2. This fund was established at the direction of the governing body through a local ordinance. This is a major fund.

Business Improvement District Fund - To account for a special assessment or general business license and occupation tax in first and second-class municipalities for the financing of business improvement district projects as allowed in SDCL 9-55-3. (SDCL 9-55-2). This is a major fund.

Hotel Way Special Revenue Fund - To account for revenues received via owner's equity, loan proceeds, and settlement proceeds to be used for road project construction. This is a major fund.

Capital Projects Funds - Capital projects 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).

Capital Projects Fund - To account for financial resources to be used for the construction of various Capital Projects. This is a major fund.

Event Center Fund - To account for financial resources, required under a Bond agreement, to be used for the construction of the Event Center. This is a major fund.

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

Tax Increment Districts Debt Service Fund - Accounts for the accumulation of property tax receipts received on the tax increment districts and the payment of general long-term debt principal and interest as related to the tax increment districts. This is 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.

1. 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 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.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Solid Waste Fund - Financed primarily by user charges, this fund accounts for the operation of the solid waste program (SDCL 9-32-11). This is a major fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Measurement Focus:

Government-Wide Financial Statements

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

Fund Financial Statements

In the fund financial statements, the “current financial resources” measurement focus is used and is 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance sheet reports only cash and cash equivalents (cash and those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and 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 includes the reporting of investment assets that were purchased with excess cash holdings at fair market value as of the date of the financial statements.

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

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

D. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

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

E. DEPOSITS AND INVESTMENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at the date of acquisition of three months or less. Investments in open-end mutual fund shares or similar investments in external investment pools are also considered to be cash equivalents. Investments consist of types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6.

F. CAPITAL ASSETS

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

Under the modified cash basis of accounting, cash payments for lease and Subscription-Based Information Technology Arrangement (SBITA) activities are a cost of the function for which they were acquired for the amount paid in cash in both the government-wide and fund financial statements. Right-to-use assets arising from leasing and SBITA activities are not reported as assets in the modified cash basis financial statements.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. LONG-TERM LIABILITIES

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

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

Under the modified cash basis of accounting, cash payments for lease and SBITA activities are recorded as expenditures in the function benefitting from the use of the asset. Allocations are made where appropriate. Liabilities arising from leasing and SBITA activities are not reported as liabilities in the modified cash basis financial statements.

H. REVENUE RECEIVED IN ADVANCE

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

I. PROGRAM RECEIPTS

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

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

J. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

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.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted."

Fund Financial Statements

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

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

Restricted - Includes fund balance amounts that are constrained for specific purposes that 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 do not lapse at year-end.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The City Council has given management the authority to create assignments of fund equity.

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.

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

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

L. APPLICATION OF NET POSITION

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is made for purposes for which both restricted and unrestricted net position are available. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when disbursements are made.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 2 - INTERFUND TRANSFERS, BALANCES, AND ADVANCES

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

Interfund transfers for the year ended December 31, 2024 are as follows:

		Transfers To:		
		Hotel Way - Special Revenue Fund	Capital Projects Fund	Total
Transfers From:	General Fund			
General Fund	\$ -	\$ -	\$ 208,327	\$ 208,327
Business Improvement District Fund	-	145,216	-	145,216
Tax Increment Districts Debt Service Fund	100,000	-	-	100,000
Water Fund	25,000	-	317,222	342,222
Sewer Fund	-	-	91,202	91,202
	<u>\$ 125,000</u>	<u>\$ 145,216</u>	<u>\$ 616,751</u>	<u>\$ 886,967</u>

NOTE 3 - DEPOSITS, INVESTMENTS, FAIR VALUE MEASUREMENT, 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. Cash and cash equivalents includes the following assets as of December 31, 2024:

Cash	\$ 2,879,546
Investments	<u>7,044,169</u>
	<u>\$ 9,923,715</u>

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts that 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 3 - DEPOSITS, INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONTINUED)

Investments

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

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments held by the City at December 31, 2024 are:

Investment	Credit Rating	Fair Value	Maturities			Valuation Level
			< 1 Year	1 - 5 Years	> 5 Years	
Cash and Money Market	N/A	\$ 9,169	\$ 9,169	\$ -	\$ -	1
U.S. Treasury Note	N/A	7,035,000	7,035,000	-	-	1
		<u>\$ 7,044,169</u>	<u>\$ 7,044,169</u>	<u>\$ -</u>	<u>\$ -</u>	

Fair value of each investment shown previously was measured using the input guidance and valuation techniques noted above. Specific valuation information is as follows:

U.S. Treasury Notes - Many of these are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange.

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.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of December 31, 2024, none of the City's deposits were exposed to custodial 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 the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 4 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 5 - TAX ABATEMENTS

The City has active TIF (Tax Increment Financing) districts for debt related to the construction of City Hall and private developments within the City. Under the TIF agreements, property tax increments received by the City are collected to cover eligible project expenses approved by resolution by the City Council, as allowed by South Dakota Codified Law Section 11-9. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$1,465,618 were received by the City during 2024.

The City also has active TIF districts within the City limits that were created by Pennington County for private development. These funds do not pass through the City. However, the agreements do result in reduced property tax revenues to the City. Amounts passed through the TIFs held by Pennington County related to property within City limits for the year ended December 31, 2024 were \$914,993.

The City also has an agreement with a business to relocate to the City. The City has agreed to rebate a portion of the sales taxes collected by the business. The business is required to operate within the City for a period of 10 years ending January 2031. The City will rebate portions of sales taxes paid by the business over the term of the agreement up to \$600,000 in total. Payments are made quarterly by the City. The amount paid for the year ended December 31, 2024 was \$91,138. As of December 31, 2024, total payments made since the agreement commenced were \$457,088.

NOTE 6 - PENSION PLAN

Plan Information

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

Benefits Provided

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 6 - PENSION PLAN (CONTINUED)

Members who 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 who 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% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirements 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% 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 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 the third 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 third quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such 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 0.5% to 0.0%.

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 6 - PENSION PLAN (CONTINUED)

The City's share of contributions to the SDRS for the years ended December 31, 2024, 2023, and 2022, equal to required contributions each year were \$396,772, \$324,064, and \$268,321, respectively.

Pension Liabilities (Assets)

At June 30, 2024, SDRS is 100.03% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2024 and reported by the City as of December 31, 2024 are as follows:

Proportionate Share of Pension Liability	\$ 32,422,305
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>32,431,103</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (8,798)</u>

At December 31, 2024, the City had a liability (asset) of \$(8,798) for its proportionate share of the net pension liability (asset). This asset is not reflected in the financial statements due to the modified cash basis of reporting. The net pension liability (asset) was measured as of June 30, 2024 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, 2024, the City's proportion was 0.2173330%, which is an increase of 0.029050% from its proportion measured as of June 30, 2023.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2024 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 returns of 4.00%.
Future COLAs	1.71%

Mortality Rates

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2021:
- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial: PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010

City of Box Elder, South Dakota **Notes to the Financial Statements** **December 31, 2024**

NOTE 6 - PENSION PLAN (CONTINUED)

- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65.
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages.
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table.
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table.
 - Others: PubG-2010 disabled member mortality table.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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, 2024 (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
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
	<u>100.0%</u>	

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 6 - PENSION PLAN (CONTINUED)

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 one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,470,457	\$ (8,798)	\$ (3,674,223)

Pension Plan Fiduciary Net Position

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

NOTE 7 - COMMITMENTS

The following is a summary of the long-term commitments for the year ended December 31, 2024:

	Balance 12/31/23	Advances	Payments	Balance 12/31/24
Governmental Funds:				
Sales Tax Revenue Bonds	\$ 6,820,404	\$ -	\$ (475,404)	\$ 6,345,000
Special Assessment Revenue Bonds	22,894,809	-	(424,164)	22,470,645
Total Governmental Funds	29,715,213	-	(899,568)	28,815,645
Business-type Activities:				
State Revolving Fund Revenue Bonds - Water	4,633,531	-	(1,477,711)	3,155,820
Total Business-type Activities	4,633,531	-	(1,477,711)	3,155,820
	\$ 34,348,744	\$ -	\$ (2,377,279)	\$ 31,971,465

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 7 - COMMITMENTS (CONTINUED)

Long-term commitments at December 31, 2024 are comprised of the following:

General Government Commitments

Revenue Bonds:

Series 2016 Sales Tax Revenue Bonds including varying interest to 3%, due in annual escalating principal installments and semiannual interest installments through December 2030. Financed through the General Fund or the Liquor, Lodging, and Dining Gross Receipts Tax Fund. Interest paid for the year ended December 31, 2024 was \$42,218.

\$ 1,570,000

Series 2021 Sales Tax Revenue Bonds including interest at 2%. Due in annual escalating principal installments and varying semi-annual interest installments through June 2041. Financed through the General Fund. Interest paid for the year ended December 31, 2024 was \$99,581.

4,775,000

Series 2021 Special Assessment Revenue Bonds including interest at 4.37% until October 2028 when interest will be the Wall Street Journal U.S. Prime Rate plus 1%. Due in monthly principal and interest installments through September 2031 when a balloon payment is due. The loan principal and interest are being paid by the Business Improvement District from taxes collected. Interest paid for the year ended December 31, 2024 was \$1,011,341.

22,470,645
\$ 28,815,645

Business-type Commitments

Revenue Bonds:

Series 2020 Drinking Water State Revolving Fund Revenue Bonds to finance the Well #10 Project including interest at 2.25% and an annual administrative fee on the outstanding principal amount of 0.5%. Due in quarterly installments of \$26,079 through October 2043. Financed through the Water Fund. Interest paid for the year ended December 31, 2024 was \$28,751.

1,440,453

Series 2020A Drinking Water State Revolving Fund Revenue Bonds to finance the Main Line Improvement Project including interest at 2%. Due in semi-annual installments of \$66,773 in 2025 increasing steadily up to \$72,048 through June 2040. Financed through the Water Fund. Interest paid for the year ended December 31, 2024 was \$35,713.

1,715,367
\$ 3,155,820

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 7 - COMMITMENTS (CONTINUED)

Annual debt service requirements to maturity for all long-term debt outstanding as of December 31, 2024 are as follows:

Year Ending December 31,	Governmental Activities				Total	
	Revenue Bonds		Special Assessment Debt			
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 490,000	\$ 133,129	\$ 449,122	\$ 986,383	\$ 939,122	\$ 1,119,512
2026	495,000	124,029	469,430	966,075	964,430	1,090,104
2027	505,000	114,453	490,657	944,848	995,657	1,059,301
2028	520,000	104,431	510,196	925,309	1,030,196	1,029,740
2029	530,000	92,111	535,913	899,592	1,065,913	991,703
2030-2034	1,645,000	318,681	20,015,327	1,515,877	21,660,327	1,834,558
2035-2039	1,510,000	163,877	-	-	1,510,000	163,877
2040-2044	650,000	15,557	-	-	650,000	15,557
	<u>\$ 6,345,000</u>	<u>\$ 1,066,268</u>	<u>\$ 22,470,645</u>	<u>\$ 6,238,084</u>	<u>\$ 28,815,645</u>	<u>\$ 7,304,352</u>

Year Ending December 31,	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2025	\$ 162,502	\$ 73,214
2026	164,637	73,224
2027	168,558	69,304
2028	172,573	65,289
2029	176,682	61,180
2030-2034	926,714	310,071
2035-2039	1,084,260	157,797
2040-2044	299,894	16,307
	<u>\$ 3,155,820</u>	<u>\$ 826,386</u>

During the year ended December 31, 2022, the City issued special assessment debt for the construction of an event center. A private business is the guarantor on the debt and has the obligation to repay any balance in excess of business improvement district fees collected, which are based on hotel room rentals. The City is required to maintain \$725,000 in a reserve fund and meet an annual debt service coverage ratio of 1.02 to 1. The City is also required to maintain Business Improvement District #2 in effect while the bonds are outstanding as those revenues are pledged for repayment of the debt balance. The City is compliant with these requirements.

The City's sales tax revenue bonds require cash reserves based on the annual debt service. As of December 31, 2024, the City has deficient debt service reserves. The reserve requirement is \$289,000 and the City's balance was \$250,528, resulting in a deficit of \$38,472.

City of Box Elder, South Dakota

Notes to the Financial Statements

December 31, 2024

NOTE 8 - TAX ABATEMENTS

The City has three active TIF districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the City Council, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$91,566 were received by the City and paid to project sponsors during 2024. The City also transferred \$100,000 of property tax increments to the General Fund for repayment of debt on the City Hall building, which is included in a TIF approved by the City.

NOTE 9 - LEASES

The City has an agreement for the lease of the event center with a private business with a term beginning June 1, 2023 and ending May 31, 2053. No rents are owed under this agreement, but the tenant agrees to operate the facility in a professional manner and will be responsible for all maintenance and utilities, keeping the facility in good working order, and not further encumbering the property. The lessee has the right to purchase the property, all furniture, and fixtures for \$1 at the end of the lease term. Due to the structure of the agreement, there are no expected rental receipts, and the City does not expect to make any payments for the upkeep of the property.

The City leases various equipment under financing agreements. Future lease payments due as of December 31, 2024 are comprised of the following:

Governmental Funds:

Equipment Lease for Copiers. Due in monthly installments of \$462 through May 2028. Financed through the General Fund.	\$ 18,480
Equipment Lease for Body Cameras. Due in annual installments of \$26,528 through 2032. Financed through the General Fund.	<u>201,171</u>
	<u>\$ 219,651</u>

Annual lease payments to maturity for all leases outstanding as of December 31, 2024 are as follows:

Year Ending December 31,	Equipment Lease Payment Amounts
2025	\$ 32,072
2026	32,072
2027	32,072
2028	28,376
2029	26,528
2030 - 2031	<u>68,531</u>
	<u>\$ 219,651</u>

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 10 - RESTRICTED NET POSITION

The following table shows restricted net position and the purpose for such restrictions as shown in the Statement of Net Position - Modified Cash Basis:

<u>Purposes</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Debt Service	Debt Covenants	\$ 2,249,717
Construction and City Promotion	State Law	4,418,578
Customer Deposits	Contract Restrictions	<u>376,752</u>
		<u>\$ 7,045,047</u>

NOTE 11 - PLEDGED REVENUES

In accordance with certain debt agreements, the City has pledged revenues for the repayment of debt obligations.

The City has pledged water user revenues for the repayment of state revolving fund bonds and water revenue bonds. Virtually all revenues of the water fund are pledged for the repayment of debt, including a specific water surcharge that is assessed to all water users monthly. Water revenues pledged for debt repayment were \$3,588,071 for the year ended December 31, 2024.

The City has pledged sewer user revenues in the form of a specific sewer surcharge that is assessed to all sewer users monthly as required by its agreement with South Dakota Ellsworth Development Authority (SDEDA). Sewer surcharge revenues collected during the year ended December 31, 2024 were \$255,132.

The City has pledged revenues collected by the Business Improvement District for the repayment of special assessment debt. Fees collected by the Business Improvement District during the year ended December 31, 2024 were \$1,878,327; of the fees collected, \$1,435,505 was used for special assessment debt repayment.

NOTE 12 - RISK ASSESSMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2024, the City managed risks as follows:

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2024, no claims for unemployment benefits were paid. At December 31, 2024, one claim had been filed and was outstanding. It is estimated, based upon historical trends, that this claim will result in the future payment of unemployment benefits in the amount of approximately \$4,256. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 12 - RISK ASSESSMENT (CONTINUED)

Employee Health Insurance

The City joined the South Dakota Municipal 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. The coverage includes a \$500,000 lifetime maximum per person.

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

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, to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to provide them with risk management services, loss control, and risk reduction information, and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and to cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Member's Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-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 general liability, officials' liability, automobile liability and damage, property damage, and law enforcement liability.

The City carries a \$0 deductible for the general liability, auto liability, and officials' liability coverages, respectively. The City carries a \$500 deductible for the municipal property coverage and a \$2,000 deductible for police liability coverage.

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

Worker's Compensation

The City joined the South Dakota Municipal League 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 cost 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 the pool 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 during the past three years.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 12 - RISK ASSESSMENT (CONTINUED)

Pending Litigation

The City is the plaintiff in two lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of the lawsuits will not have a materially adverse effect on the accompanying financial statements and, accordingly, no provisions for losses have been recorded.

NOTE 13 - RESTATEMENTS OF AND ADJUSTMENTS TO BEGINNING BALANCES

During the year ended December 31, 2024, the City had a change within the financial reporting entity due to the presentation of the Hotel Way - Special Revenue Fund being presented as a major fund.

The City restated the fund balance of the funds indicated below to appropriately reflect the January 1, 2024 balances as follows:

	<u>As Previously Reported</u>	<u>Changes Within the Financial Reporting Entity</u>	<u>As Restated</u>
Governmental Funds:			
Major Funds:			
Business Improvement District Fund	\$ 3,806,207	\$ (165,210)	\$ 3,640,997
Hotel Way - Special Revenue Fund	-	165,210	165,210
	<u>\$ 3,806,207</u>	<u>\$ -</u>	<u>\$ 3,806,207</u>

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the City originated a loan for the Hotel Way construction project from the South Dakota Department of Transportation for \$1,500,000. Funds will be disbursed to the City on a reimbursement basis.

Subsequent to December 31, 2024, the City issued the following loan and revenue bonds:

	<u>Principal Amount of Original Issue</u>
<u>Business-type Commitments</u>	
Loan:	
Series 2024 Clean Water State Revolving Fund Loan to finance the Cheyenne Boulevard/Westgate/S. Box Elder Clean Water Project including interest at 1.875% and an annual administrative fee on the outstanding principal amount of 0.25%. Initial interest payment of \$259,245 due in August 2026 and then quarterly installments of \$68,337 due thereafter through August 2056. Financed through the Sewer Fund.	\$ 6,261,000

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2024

NOTE 14 - SUBSEQUENT EVENTS (CONTINUED)

	<u>Principal Amount of Original Issue</u>
Revenue Bonds:	
Series 2024 Clean Water State Revolving Fund Revenue Bonds to finance the Sanitary Sewer Upgrade and Expansion Project including interest at 1.875% and an annual administrative fee on the outstanding principal amount of 0.25%. Initial interest payment of \$63,766 due in August 2026 and then quarterly installments of \$16,809 due thereafter through August 2056. Financed through the Sewer Fund.	1,540,000
Series 2024 Drinking Water State Revolving Fund Revenue Bonds to finance the Tower Road and Prairie View Drinking Water System Improvements Project including interest at 1.375% and an annual administrative fee on the outstanding principal amount of 0.25%. Initial interest payment of \$131,580 due in August 2026 and then quarterly installments of \$44,131 due thereafter through August 2056. Financed through the Water Fund.	4,333,350
Series 2024 Drinking Water State Revolving Fund Revenue Bonds to finance the Drinking Water System Improvements Project including interest at 1.375% and an annual administrative fee on the outstanding principal amount of 0.25%. Initial interest payment of \$201,317 due in August 2026 and then quarterly installments of \$67,520 due thereafter through August 2056. Financed through the Water Fund.	<u>6,630,000</u>
	<u>\$ 18,764,350</u>

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

SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
RECEIPTS				
Taxes:				
General Property Taxes	\$ 2,440,353	\$ 2,455,353	\$ 2,385,025	\$ (70,328)
General Sales and Use Taxes	4,435,470	4,550,000	4,564,929	14,929
Penalties and Interest on Delinquent Taxes	3,000	3,000	3,539	539
Licenses and Permits	693,500	682,300	652,288	(30,012)
Intergovernmental Receipts:				
Federal Grants	21,472	199,972	199,187	(785)
State Grants	428,346	436,914	436,914	-
State Shared Receipts:				
Bank Franchise Tax	32,500	33,500	32,775	(725)
Prorate License Fee	8,500	8,750	8,718	(32)
Liquor Tax Reversion	82,718	78,718	80,333	1,615
Motor Vehicle Licenses	75,486	106,000	106,322	322
Local Government Highway and Bridge Fund	35,000	35,000	34,055	(945)
Other	4,450	4,450	4,125	(325)
Charges for Goods and Services:				
General Government	81,000	122,000	100,377	(21,623)
Public Safety	102,000	102,000	25,873	(76,127)
Court Fines and Forfeits	4,300	17,200	16,527	(673)
Miscellaneous Receipts:				
Investment Earnings	350,000	450,000	484,829	34,829
Other	6,500	195,218	195,139	(79)
Total Receipts	8,804,595	9,480,375	9,330,955	(149,420)

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City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
(Continued)
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
DISBURSEMENTS				
General Government:				
Executive	661,953	753,083	734,367	18,716
Financial Administration	1,575,376	1,828,015	1,687,677	140,338
Public Safety:				
Police	3,721,838	3,997,053	3,691,100	305,953
Public Works:				
Highways and Streets	2,666,369	3,142,167	3,026,855	115,312
Planning and Zoning	1,146,595	1,014,754	934,561	80,193
Culture and Recreation:				
Parks	<u>717,215</u>	<u>709,731</u>	<u>687,167</u>	<u>22,564</u>
Total Disbursements	<u>10,489,346</u>	<u>11,444,803</u>	<u>10,761,727</u>	<u>683,076</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,684,751)</u>	<u>(1,964,428)</u>	<u>(1,430,772)</u>	<u>533,656</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,350,000	1,425,000	125,000	(1,300,000)
Transfers Out	(936,915)	(543,257)	(208,327)	334,930
Insurance Proceeds	176,828	248,828	248,004	(824)
Gain on Sale of Municipal Property	<u>25,000</u>	<u>10,000</u>	<u>3,742</u>	<u>(6,258)</u>
Net Other Financing Sources	<u>614,913</u>	<u>1,140,571</u>	<u>168,419</u>	<u>(972,152)</u>
CHANGE IN FUND BALANCE	<u>(1,069,838)</u>	<u>(823,857)</u>	<u>(1,262,353)</u>	<u>(438,496)</u>
FUND BALANCE - BEGINNING	<u>1,512,881</u>	<u>1,512,881</u>	<u>1,512,881</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 443,043</u>	<u>\$ 689,024</u>	<u>\$ 250,528</u>	<u>\$ (438,496)</u>

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - Liquor, Lodging,
and Dining Gross Receipts Tax Fund
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
RECEIPTS				
Taxes:				
General Sales and Use Taxes	\$ 456,000	\$ 426,000	\$ 432,190	\$ 6,190
Miscellaneous Receipts	<u>100,000</u>	<u>72,625</u>	<u>66,032</u>	<u>(6,593)</u>
Total Receipts	556,000	498,625	498,222	(403)
DISBURSEMENTS				
Conservation and Development:				
Economic Development	<u>904,180</u>	<u>647,505</u>	<u>616,818</u>	<u>30,687</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(348,180)	(148,880)	(118,596)	30,284
OTHER FINANCING SOURCES				
Transfers In	<u>38,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	(309,718)	(148,880)	(118,596)	30,284
FUND BALANCE - BEGINNING	<u>455,612</u>	<u>455,612</u>	<u>455,612</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 145,894</u>	<u>\$ 306,732</u>	<u>\$ 337,016</u>	<u>\$ 30,284</u>

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis -
Business Improvement District Fund
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
RECEIPTS				
Miscellaneous Receipts:				
Investment Earnings	\$ -	\$ 5,000	\$ 6,793	\$ 1,793
Special Assessments	2,203,234	2,078,234	1,878,327	(199,907)
Contributions and Donations from Private Sources	<u>2,250,000</u>	<u>2,250,000</u>	<u>298</u>	<u>(2,249,702)</u>
Total Receipts	<u>4,453,234</u>	<u>4,333,234</u>	<u>1,885,418</u>	<u>(2,447,816)</u>
DISBURSEMENTS				
Conservation and Development: Economic Development	<u>1,706,600</u>	<u>2,312,168</u>	<u>2,195,014</u>	<u>117,154</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	2,746,634	2,021,066	(309,596)	(2,330,662)
OTHER FINANCING USES				
Transfers Out	<u>-</u>	<u>-</u>	<u>(145,216)</u>	<u>(145,216)</u>
CHANGE IN FUND BALANCE	2,746,634	2,021,066	(454,812)	(2,475,878)
FUND BALANCE - BEGINNING, RESTATED	<u>3,640,997</u>	<u>3,640,997</u>	<u>3,640,997</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,387,631</u>	<u>\$ 5,662,063</u>	<u>\$ 3,186,185</u>	<u>\$ (2,475,878)</u>

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis -
Hotel Way Special Revenue Fund
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive Positive (Negative)
RECEIPTS				
Owner Equity	\$ -	\$ 35,000	\$ -	\$ (35,000)
DISBURSEMENTS				
Conservation and Development:				
Economic Development	<u>4,243,315</u>	<u>4,243,315</u>	<u>2,141,827</u>	<u>2,101,488</u>
EXCESS OF RECEIPTS				
OVER (UNDER) DISBURSEMENTS	(4,243,315)	(4,208,315)	(2,141,827)	2,066,488
OTHER FINANCING SOURCES				
Transfers In	-	-	145,216	145,216
Settlement Proceeds	-	2,000,000	2,000,000	-
Loan Proceeds	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
Total Other Financing Sources	<u>1,500,000</u>	<u>3,500,000</u>	<u>2,145,216</u>	<u>(1,354,784)</u>
CHANGE IN FUND BALANCE	(2,743,315)	(708,315)	3,389	711,704
FUND BALANCE -				
BEGINNING, RESTATED	<u>165,210</u>	<u>165,210</u>	<u>165,210</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (2,578,105)</u>	<u>\$ (543,105)</u>	<u>\$ 168,599</u>	<u>\$ 711,704</u>

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Schedule of the City's Proportionate Share
of the Net Pension Liability (Asset)
For the Year Ended December 31, 2024

Year*	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2024	0.2173330%	\$ (8,798)	\$ 5,501,665	0.16%	100.03%
2023	0.1882830%	(18,377)	4,354,699	0.41%	100.07%
2022	0.1701820%	(16,083)	3,611,935	0.45%	100.10%
2021	0.1540610%	(1,179,844)	3,147,618	37.48%	105.52%
2020	0.1393985%	(6,054)	2,870,251	0.21%	100.04%
2019	0.1149700%	(12,184)	2,153,799	0.57%	100.09%
2018	0.0837260%	(1,953)	1,526,146	0.13%	100.02%
2017	0.0760756%	(6,904)	1,361,247	0.51%	100.10%
2016	0.0707285%	238,914	1,166,389	20.48%	96.89%
2015	0.0733073%	(310,917)	1,168,245	26.61%	104.10%

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

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Schedule of Pension Contributions
South Dakota Retirement System

Year	Contractually- required Contribution	Contributions in Relation to the Contractually- required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 396,772	\$ 396,772	-	\$ 5,963,347	6.7%
2023	324,064	324,064	-	4,866,097	6.7%
2022	268,321	268,321	-	4,101,579	6.5%
2021	212,801	212,801	-	3,191,782	6.7%
2020	201,357	201,357	-	2,998,780	6.7%
2019	165,161	165,161	-	2,573,762	6.4%
2018	123,290	123,290	-	1,803,176	6.8%
2017	93,671	93,671	-	1,376,173	6.8%
2016	88,823	88,823	-	1,296,569	6.9%
2015	78,505	78,505	-	1,134,983	6.9%

See independent auditor's report and notes to the supplementary information.

City of Box Elder, South Dakota
Notes to the Supplementary Information
December 31, 2024

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified cash basis of accounting. The Budgetary Comparison Schedules present capital outlay and debt service disbursements within each function while the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis presents capital outlay and debt service disbursements as a separate function.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular Council meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding, and actual disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such line item may not exceed 5% of the total city budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the City Council. The City did not encumber any amounts at December 31, 2024.

NOTE 3 - PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND PENSION CONTRIBUTIONS

Changes from Prior Valuation

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023 Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

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% 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 an FVFR equal to or exceeding 100%.

See independent auditor's report.

City of Box Elder, South Dakota
Notes to the Supplementary Information
December 31, 2024

NOTE 3 - PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND PENSION CONTRIBUTIONS (CONTINUED)

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

See independent auditor's report.

SINGLE AUDIT INFORMATION

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Box Elder, South Dakota (the City), as of and for the year ended December 31, 2024, 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 5, 2025.

Report on 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) as a basis for designing 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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City South Dakota

May 5, 2025

Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control
over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Box Elder, South Dakota's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, and rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City South Dakota

May 5, 2025

City of Box Elder, South Dakota
Schedule of Findings and Questioned Costs
December 31, 2024

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of the City of Box Elder, South Dakota.
- b. No findings related to the audit of the financial statements were reported in the 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*.
- c. No instances of noncompliance material to the financial statements of the City which would be required to be reported in accordance with *Government Auditing Standards* were noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance for the City expressed an unmodified opinion on all major programs.
- e. No material weaknesses in internal control related to the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance.
- f. No findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal award tested as a major program was:

<u>Assistance Listing Number (ALN)</u>	<u>Name of Federal Program</u>
12.618	Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The City of Box Elder, South Dakota did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings related to the major federal award program audit.



SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

There were no findings issued in the prior year.

City of Box Elder, South Dakota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Assistance Listing Number	Major Program	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through Entity Identifying Number	Amount
U.S. Department of Defense					
12.618	Y	Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation	N/A	N/A	<u>\$ 935,041</u>
		Total U.S. Department of Defense			<u>935,041</u>
U.S. Department of Justice					
16.710	N	Public Safety Partnership and Community Policing Grants	N/A	N/A	125,000
16.835	N	Body Worn Camera Policy and Implementation	Justice & Security Strategies, Inc.	28836519	<u>23,776</u>
		Total U.S. Department of Justice			<u>148,776</u>
U.S. Department of Transportation					
20.219	N	Recreational Trails Program	State of South Dakota, Department of Game, Fish and Parks/Division of Parks and Recreation	2024	105,990
20.939	N	Safe Streets and Roads for All	N/A	N/A	<u>48,264</u>
		Total U.S. Department of Transportation			<u>154,254</u>
U.S. Department of the Treasury					
21.027	N	Coronavirus State and Local Fiscal Recovery Funds	N/A	N/A	20,534
21.027	N	Coronavirus State and Local Fiscal Recovery Funds	South Dakota Department of Agriculture and Natural Resources	2022G-ARP-114	<u>524,044</u>
		Total U.S. Department of the Treasury			<u>544,578</u>
U.S. Department of the Treasury					
97.039	N	Hazard Mitigation Grant	South Dakota Department of Public Safety	DR-4527-HMGP-09R	<u>23,240</u>
		Total U.S. Department of the Treasury			<u>23,240</u>
		TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,805,889</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Box Elder under programs of the federal government for the year ended December 31, 2024. Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: No funds were passed down to subrecipients.

See independent auditor's report.

OTHER INFORMATION

**City of Box Elder, South Dakota
Schedule of Municipal Officials
December 31, 2024**

MAYOR

Larry Larson

COUNCIL MEMBERS

John Talich
Kirk Beauchamp
Patrick Schubert
Michael Knight
Rick Davis
Steven Bixel

FINANCIAL OFFICER

Renee Baker

See independent auditor's report.