

CITY OF BOX ELDER, SOUTH DAKOTA

Financial Statements

December 31, 2021



CASEY • PETERSON

RAPID CITY • GILLETTE

City of Box Elder, South Dakota
Table of Contents
December 31, 2021

	<u>PAGE</u>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor’s Report	3 - 5
 BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position - Modified Cash Basis	9
Statement of Activities - Modified Cash Basis	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Modified Cash Basis - Governmental Funds	11
Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds.....	12 - 13
Statement of Net Position - Modified Cash Basis - Proprietary Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds.....	15
Notes to the Financial Statements	16 - 29
 SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budgetary Basis - General Fund.....	32 - 33
Budgetary Comparison Schedule - Budgetary Basis - Liquor, Lodging, and Dining Gross Receipts Tax Fund	34
Budgetary Comparison Schedule - Budgetary Basis - Business Improvement District Fund.....	35
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset).....	36
Schedule of Pension Contributions.....	37
Notes to the Supplementary Information	38 - 39
Schedule of Municipal Officials	40

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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Box Elder, South Dakota's basic financial statements and have issued our report thereon dated April 14, 2022.

Report on Internal Control over Financial Reporting

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

RAPID CITY

909 ST. JOSEPH STREET, SUITE 101
RAPID CITY, SD 57701
605.348.1930

GILLETTE

612 S. DOUGLAS HWY
GILLETTE, WY 82716
307.682.4795

FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Box Elder, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

Casey Peterson, LTD

Rapid City, South Dakota
April 14, 2022

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, 2021, 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 of Box Elder, South Dakota as of December 31, 2021, and the respective changes in financial position-modified cash basis 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 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.

RAPID CITY

909 ST. JOSEPH STREET, SUITE 101
RAPID CITY, SD 57701
605.348.1930

GILLETTE

612 S. DOUGLAS HWY
GILLETTE, WY 82716
307.682.4795

FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

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

Auditor's 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, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, the Notes to the Supplementary Information, and the Schedule of Municipal Officials, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022 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
Rapid City, South Dakota
April 14, 2022

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

City of Box Elder, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,154,016	\$ 3,569,333	\$ 13,723,349
TOTAL ASSETS	<u>\$ 10,154,016</u>	<u>\$ 3,569,333</u>	<u>\$ 13,723,349</u>
NET POSITION			
Restricted for:			
Debt Service	\$ 669,444	\$ 166,173	\$ 835,617
Construction and City Promotion	8,119,322	-	8,119,322
Customer Deposits	-	291,367	291,367
Unrestricted	<u>1,365,250</u>	<u>3,111,793</u>	<u>4,477,043</u>
TOTAL NET POSITION	<u>\$ 10,154,016</u>	<u>\$ 3,569,333</u>	<u>\$ 13,723,349</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, 2021

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Capital Grants, Loans, and Contributions	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 1,069,618	\$ 375,185	\$ -	\$ 1,029,771	\$ 335,338	\$ -	\$ 335,338
Public Safety	2,289,586	33,440	-	243,482	(2,012,664)	-	(2,012,664)
Public Works	4,473,508	2,580	6,318,594	1,000	1,848,666	-	1,848,666
Culture and Recreation	550,611	-	-	-	(550,611)	-	(550,611)
Conservation and Development	828,677	-	-	-	(828,677)	-	(828,677)
Long-term Debt	3,101,780	-	-	-	(3,101,780)	-	(3,101,780)
Total Governmental Activities	<u>12,313,780</u>	<u>411,205</u>	<u>6,318,594</u>	<u>1,274,253</u>	<u>(4,309,728)</u>	<u>-</u>	<u>(4,309,728)</u>
Business-type Activities:							
Water	2,380,460	2,931,400	-	-	-	550,940	550,940
Sewer	1,743,162	1,871,216	-	-	-	128,054	128,054
Solid Waste	<u>364,668</u>	<u>400,432</u>	-	-	-	<u>35,764</u>	<u>35,764</u>
Total Business-type Activities	<u>4,488,290</u>	<u>5,203,048</u>	-	-	-	<u>714,758</u>	<u>714,758</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 16,802,070</u>	<u>\$ 5,614,253</u>	<u>\$ 6,318,594</u>	<u>\$ 1,274,253</u>	<u>(4,309,728)</u>	<u>714,758</u>	<u>(3,594,970)</u>
GENERAL RECEIPTS							
Taxes:							
Property Taxes					4,022,386	-	4,022,386
Sales Taxes					5,153,612	-	5,153,612
State Shared Receipts					224,868	-	224,868
Unrestricted Investment Earnings					14,756	-	14,756
Miscellaneous Receipts					231,203	-	231,203
Sale of Municipal Property					11,433	-	11,433
Insurance Proceeds					-	273	273
Transfers					25,000	(25,000)	-
Total General Receipts					<u>9,683,258</u>	<u>(24,727)</u>	<u>9,658,531</u>
CHANGE IN NET POSITION					5,373,530	690,031	6,063,561
NET POSITION - BEGINNING					<u>4,780,486</u>	<u>2,879,302</u>	<u>7,659,788</u>
NET POSITION - ENDING					<u>\$ 10,154,016</u>	<u>\$ 3,569,333</u>	<u>\$ 13,723,349</u>

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, 2021

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Capital Projects Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,654,250	\$ 346,892	\$ 1,686,330	\$ 6,086,100	\$ 380,444	\$ 10,154,016
TOTAL ASSETS	<u>\$ 1,654,250</u>	<u>\$ 346,892</u>	<u>\$ 1,686,330</u>	<u>\$ 6,086,100</u>	<u>\$ 380,444</u>	<u>\$ 10,154,016</u>
FUND BALANCES						
Restricted:						
Debt Service	\$ 289,000	\$ -	\$ -	\$ -	\$ 380,444	\$ 669,444
Construction and City Promotion	-	346,892	1,686,330	6,086,100	-	8,119,322
Unassigned	<u>1,365,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,365,250</u>
TOTAL FUND BALANCES	<u>\$ 1,654,250</u>	<u>\$ 346,892</u>	<u>\$ 1,686,330</u>	<u>\$ 6,086,100</u>	<u>\$ 380,444</u>	<u>\$ 10,154,016</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, 2021

	General Fund	Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Capital Projects Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
RECEIPTS						
Taxes:						
General Property Taxes	\$ 1,688,184	\$ -	\$ -	\$ -	\$ 2,331,628	\$ 4,019,812
General Sales and Use Taxes	3,084,071	414,282	1,655,259	-	-	5,153,612
Penalties and Interest on Delinquent Taxes	2,574	-	-	-	-	2,574
Licenses and Permits	369,784	-	-	-	-	369,784
Intergovernmental Receipts:						
Federal Grants	316,786	-	-	1,010,924	-	1,327,710
State Grants	269,580	-	-	-	-	269,580
State Shared Receipts:						
Bank Franchise Tax	22,093	-	-	-	-	22,093
Prorate License Fee	2,843	-	-	-	-	2,843
Liquor Tax Reversion	64,718	-	-	-	-	64,718
Motor Vehicle Licenses	98,790	-	-	-	-	98,790
Local Government Highway and Bridge Fund	32,738	-	-	-	-	32,738
Other	3,686	-	-	-	-	3,686
Charges for Goods and Services:						
General Government	5,401	-	-	-	-	5,401
Public Safety	33,440	-	-	-	-	33,440
Court Fines and Forfeits	2,580	-	-	-	-	2,580
Miscellaneous Receipts:						
Investment Earnings	14,531	-	225	-	-	14,756
Contributions	-	1,000	-	224,200	-	225,200
Other	148,173	71,867	-	-	-	220,040
Total Receipts	6,159,972	487,149	1,655,484	1,235,124	2,331,628	11,869,357

The accompanying notes are an integral part of this statement.

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Business Improvement District Fund	Capital Projects Fund	Tax Increment Districts - Debt Service Fund	Total Governmental Funds
DISBURSEMENTS						
General Government:						
Executive	511,367	-	-	-	-	511,367
Financial Administration	558,251	-	-	-	-	558,251
Public Safety:						
Police	1,963,244	-	-	-	-	1,963,244
Public Works:						
Highways and Streets	969,446	-	-	-	-	969,446
Planning and Zoning	575,415	-	-	-	-	575,415
Culture and Recreation:						
Parks	481,724	-	-	-	-	481,724
Conservation and Development:						
Economic Development	-	245,991	582,686	-	-	828,677
Debt Service	286,318	-	-	-	2,815,462	3,101,780
Capital Outlay	781,304	-	-	2,542,572	-	3,323,876
Total Disbursements	<u>6,127,069</u>	<u>245,991</u>	<u>582,686</u>	<u>2,542,572</u>	<u>2,815,462</u>	<u>12,313,780</u>
EXCESS OF RECEIPTS OVER (UNDER)						
DISBURSEMENTS	32,903	241,158	1,072,798	(1,307,448)	(483,834)	(444,423)
OTHER FINANCING SOURCES						
Loan Proceeds	-	-	-	5,770,357	-	5,770,357
Transfers In	25,000	-	-	-	-	25,000
Gain on Sale of Municipal Property	10,812	621	-	-	-	11,433
Insurance Proceeds	-	11,163	-	-	-	11,163
Total Other Financing Sources	<u>35,812</u>	<u>11,784</u>	<u>-</u>	<u>5,770,357</u>	<u>-</u>	<u>5,817,953</u>
CHANGE IN FUND BALANCES	68,715	252,942	1,072,798	4,462,909	(483,834)	5,373,530
FUND BALANCE - BEGINNING	<u>1,585,535</u>	<u>93,950</u>	<u>613,532</u>	<u>1,623,191</u>	<u>864,278</u>	<u>4,780,486</u>
FUND BALANCE - ENDING	<u>\$ 1,654,250</u>	<u>\$ 346,892</u>	<u>\$ 1,686,330</u>	<u>\$ 6,086,100</u>	<u>\$ 380,444</u>	<u>\$ 10,154,016</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, 2021

	Water Fund	Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	<u>\$ 2,355,349</u>	<u>\$ 1,181,078</u>	<u>\$ 32,906</u>	<u>\$ 3,569,333</u>
TOTAL ASSETS	<u>2,355,349</u>	<u>1,181,078</u>	<u>32,906</u>	<u>3,569,333</u>
NET POSITION				
Restricted:				
Debt Service	166,173	-	-	166,173
Customer Deposits	291,367	-	-	291,367
Unrestricted	<u>1,897,809</u>	<u>1,181,078</u>	<u>32,906</u>	<u>3,111,793</u>
TOTAL NET POSITION	<u>\$ 2,355,349</u>	<u>\$ 1,181,078</u>	<u>\$ 32,906</u>	<u>\$ 3,569,333</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, 2021

	Water Fund	Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING RECEIPTS				
Charges for Goods and Services	\$ 2,648,680	\$ 1,871,216	\$ 400,432	\$ 4,920,328
Surcharge as Security for Debt	282,720	-	-	282,720
Total Operating Receipts	<u>2,931,400</u>	<u>1,871,216</u>	<u>400,432</u>	<u>5,203,048</u>
OPERATING DISBURSEMENTS				
Personal Services	721,338	414,676	17,553	1,153,567
Repairs and Maintenance	282,760	30,177	-	312,937
Other Current Disbursements	485,259	1,256,508	347,115	2,088,882
Total Operating Disbursements	<u>1,489,357</u>	<u>1,701,361</u>	<u>364,668</u>	<u>3,555,386</u>
Operating Income	<u>1,442,043</u>	<u>169,855</u>	<u>35,764</u>	<u>1,647,662</u>
NONOPERATING RECEIPTS				
(DISBURSEMENTS)				
Insurance Proceeds	273	-	-	273
Capital Purchases	(610,781)	(41,801)	-	(652,582)
Principal Payments	(190,938)	-	-	(190,938)
Interest Payments	(89,384)	-	-	(89,384)
Net Nonoperating Receipts (Disbursements)	<u>(890,830)</u>	<u>(41,801)</u>	<u>-</u>	<u>(932,631)</u>
TRANSFERS				
Transfers Out	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
CHANGE IN NET POSITION	526,213	128,054	35,764	690,031
NET POSITION - BEGINNING	<u>1,829,136</u>	<u>1,053,024</u>	<u>(2,858)</u>	<u>2,879,302</u>
NET POSITION - ENDING	<u>\$ 2,355,349</u>	<u>\$ 1,181,078</u>	<u>\$ 32,906</u>	<u>\$ 3,569,333</u>

The accompanying notes are an integral part of this statement.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

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 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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the City are described below:

Governmental Funds:

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

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

Liquor, Lodging, and Dining Gross Receipts Tax Fund - To account for the collection of a 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, 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 fund 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 fund is a major fund.

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

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

Capital Projects Fund - 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). This fund 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.
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).

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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.

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 (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. DEPOSITS AND INVESTMENTS

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at the date of acquisition of three months or less.

E. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

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

In order to minimize the grossing-up effect within the governmental and business-type activities columns of the primary government, the City has also chosen to net all cash balances in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as cash and cash equivalents.

F. CAPITAL ASSETS

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

G. LONG-TERM LIABILITIES

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

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

H. REVENUE RECEIVED IN ADVANCE

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. PROGRAM RECEIPTS

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

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

J. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION

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

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 assets that do not meet the definition of "restricted."

Fund Financial Statements

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

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

Restricted - 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditures are made.

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 will report negative cash and cash equivalents. Negative cash and cash equivalents represent the amount these funds have overdrawn their portion of pooled cash and subsequently borrowed from other funds.

During the year ended December 31, 2021, the City transferred \$25,000 from the Water Fund to the General Fund for partial repayment of a \$400,000 advance to the Water Fund during the year ended December 31, 2019. The Water Fund shall repay this amount to the General Fund within 3 years with zero interest.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits

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

Investments

In general, SDCL 4-5-6 permits 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - 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, 2021, none of the City's deposits were exposed to custodial credit risk.

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

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

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.

NOTE 4 - PROPERTY TAXES

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

NOTE 5 - TAX ABATEMENTS

The City has active TIF (Tax Increment Financing) districts for debt related to the construction of City Hall and private development within the City. The City also had two TIF districts involving agreements with developers that were fully paid and dissolved during the year ended December 31, 2021. Under the TIF, property tax increments received by the City are collected to cover eligible project expenses approved by resolution by the City Commission, 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 \$2,331,628 were received by the City and \$2,815,462 was paid to project sponsors or lien holders during 2021. Subsequent to year-end, the City approved the dissolution of TIF #1 and #3 due to the debt being repaid.

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. 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, 2021 was \$79,421.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

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), a cost-sharing, multiple-employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and 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 three different classes of employees: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (CONTINUED)

- 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, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, equal to required contributions each year were \$212,801, \$201,357, and \$165,161, respectively.

Pension Liabilities (Assets)

At June 30, 2021, SDRS is 105.52% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2021 and as of December 31, 2021 are as follows:

Proportionate Share of Pension Liability	\$ 21,362,669
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>22,542,513</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (1,179,844)</u>

At December 31, 2021, the City had a liability (asset) of \$(1,179,844) for its proportionate share of the net pension liability (asset). This asset is not reflected in the financial statements. The net pension liability (asset) was measured as of June 30, 2021 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, 2021, the City's proportion was 0.1540610%, which is an increase of 0.0146625% from its proportion measured as of June 30, 2020.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

**City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021**

NOTE 6 - PENSION PLAN (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.9%
Total	<u><u>100.0%</u></u>	

Discount Rate

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

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (CONTINUED)

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)	\$ 1,910,460	\$ (1,179,844)	\$ (3,688,451)

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, 2021:

	Balance 12/31/20	Advances	Payments	Balance 12/31/21
Governmental Funds:				
Tax Increment Revenue Bonds	\$ 2,504,099	\$ -	\$ (2,504,099)	\$ -
Tax Increment Bridge Loan	1,357,905	-	(1,357,905)	-
Sales Tax Revenue Bonds	2,549,455	5,770,357	(230,000)	8,089,812
Total Governmental Funds	6,411,459	5,770,357	(4,092,004)	8,089,812
Business-type Activities:				
Revenue Bonds - Water	3,725,266	-	(190,938)	3,534,328
Total Business-type Activities	3,725,266	-	(190,938)	3,534,328
Total	\$ 10,136,725	\$ 5,770,357	\$ (4,282,942)	\$ 11,624,140

**City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021**

NOTE 7 - COMMITMENTS (CONTINUED)

Long-term debt at December 31, 2021 was comprised of the following:

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, 2021 was \$56,318.	\$ 2,290,000
2012 State Revolving Fund Revenue Bonds through the South Dakota Conservancy District, including interest at 2.5% and an annual administrative fee of .5%. Due in quarterly installments of \$37,767 through January 2034. Financed through the Water Fund. Interest paid for the year ended December 31, 2021 was \$48,250.	1,543,829
2020 State Revolving Fund Revenue Bonds through the South Dakota Conservancy District, including interest at 2.25% and an annual administrative fee of .5%. Due in quarterly installments of \$26,079 through October 2043. Financed through the General Fund. No interest was paid for the year ended December 31, 2021.	304,406
Series 2020A Water Revenue Bonds through Dakotah Bank, including interest at 2%. Due in semi-annual installments of \$64,628 through June 2040. Financed through the Water Fund. Interest paid for the year ended December 31, 2021 was \$41,135.	1,990,501
Series 2021 Sales Tax Revenue Bonds through US Bank, including interest at 2%. Due in annual escalating principal installments and varying semi-annual interest installments through June 2041. Financed through the General Fund. No interest was paid for the year ended December 31, 2021.	5,495,404
	<u>\$ 11,624,140</u>

NOTE 8 - 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:

Purposes	Restricted By	Amount
Major Purposes:		
Debt Service Purpose	Debt Covenants	\$ 835,617
Construction and City Promotion Purpose	State Law	8,119,322
Customer Utility Deposits	Contract Restrictions	291,367
		\$ 9,246,306

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 9 - 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, 2021, 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.

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 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 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 Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, officials' liability, automobile liability and damage, property damage, and law enforcement liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions, which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The City carries a \$0 deductible for the governmental general liability coverage and a \$0 deductible for the municipal property 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.

City of Box Elder, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 9 - RISK ASSESSMENT (CONTINUED)

Worker's Compensation

The City joined the South Dakota Municipal League of Worker's Compensation, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

NOTE 10 - SUBSEQUENT EVENTS

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

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
General Property Taxes	\$ 1,716,500	\$ 1,716,500	\$ 1,688,184	\$ (28,316)
General Sales and Use Taxes	2,500,800	2,500,800	3,084,071	583,271
Amusement Taxes	500	500	-	(500)
Penalties and Interest on				
Delinquent Taxes	2,500	2,500	2,574	74
Licenses and Permits	279,200	379,792	369,784	(10,008)
Intergovernmental Receipts:				
Federal Grants	680,000	680,000	316,786	(363,214)
State Grants	305,000	305,000	269,580	(35,420)
State Shared Receipts:				
Bank Franchise Tax	22,000	22,000	22,093	93
Prorate License Fee	4,000	4,000	2,843	(1,157)
Liquor Tax Reversion	60,000	60,000	64,718	4,718
Motor Vehicle Licenses	90,000	90,000	98,790	8,790
Local Government Highway and Bridge Fund	32,000	32,000	32,738	738
Other	5,000	5,000	3,686	(1,314)
Charges for Goods and Services:				
General Government	5,000	5,000	5,401	401
Public Safety	32,000	32,000	33,440	1,440
Court Fines and Forfeits	2,000	2,000	2,580	580
Miscellaneous Receipts:				
Investment Earnings	50,000	50,000	14,531	(35,469)
Other	79,200	79,200	148,173	68,973
Total Receipts	<u>5,865,700</u>	<u>5,966,292</u>	<u>6,159,972</u>	<u>193,680</u>

See independent auditor's report.

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
DISBURSEMENTS				
General Government:				
Executive	519,274	541,508	511,367	30,141
Financial Administration	703,197	598,645	558,251	40,394
Public Safety:				
Police	2,531,939	2,397,221	2,289,586	107,635
Public Works:				
Highways and Streets	1,513,544	1,629,994	1,355,521	274,473
Planning and Zoning	573,930	685,185	575,415	109,770
Culture and Recreation:				
Parks	658,330	573,427	550,611	22,816
Debt Service	283,793	283,793	286,318	(2,525)
Total Disbursements	<u>6,784,007</u>	<u>6,709,773</u>	<u>6,127,069</u>	<u>582,704</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(918,307)</u>	<u>(743,481)</u>	<u>32,903</u>	<u>776,384</u>
OTHER FINANCING SOURCES				
Transfers In	25,000	25,000	25,000	-
Sale of Municipal Property	10,000	10,000	10,812	812
Total Other Financing Sources	<u>35,000</u>	<u>35,000</u>	<u>35,812</u>	<u>812</u>
CHANGE IN FUND BALANCE	(883,307)	(708,481)	68,715	777,196
FUND BALANCE - BEGINNING	<u>1,585,535</u>	<u>1,585,535</u>	<u>1,585,535</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 702,228</u>	<u>\$ 877,054</u>	<u>\$ 1,654,250</u>	<u>\$ 777,196</u>

See independent auditor's report.

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - Liquor, Lodging,
and Dining Gross Receipts Tax Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
General Sales and Use Taxes	\$ 250,000	\$ 250,000	\$ 414,282	\$ 164,282
Miscellaneous Receipts	<u>11,000</u>	<u>468,594</u>	<u>72,867</u>	<u>(395,727)</u>
Total Receipts	261,000	718,594	487,149	(231,445)
DISBURSEMENTS				
Conservation and Development:				
Economic Development	<u>260,709</u>	<u>255,977</u>	<u>245,991</u>	<u>9,986</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS				
	291	462,617	241,158	(221,459)
OTHER FINANCING SOURCES				
Gain on Sale of Municipal Property	10,000	10,000	621	9,379
Insurance Proceeds	<u>-</u>	<u>-</u>	<u>11,163</u>	<u>(11,163)</u>
Total Other Financing Sources	<u>10,000</u>	<u>10,000</u>	<u>11,784</u>	<u>(1,784)</u>
CHANGE IN FUND BALANCE	10,291	472,617	252,942	(223,243)
FUND BALANCE - BEGINNING	<u>93,950</u>	<u>93,950</u>	<u>93,950</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 104,241</u>	<u>\$ 566,567</u>	<u>\$ 346,892</u>	<u>\$ (219,675)</u>

See independent auditor's report.

City of Box Elder, South Dakota
Budgetary Comparison Schedule - Budgetary Basis -
Business Improvement District Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
General Sales and Use Taxes	965,000	1,720,435	1,655,259	(65,176)
Investment Earnings	<u>-</u>	<u>-</u>	<u>225</u>	<u>225</u>
Total Receipts	965,000	1,720,435	1,655,484	(64,951)
DISBURSEMENTS				
Conservation and Development:				
Economic Development	<u>935,000</u>	<u>980,176</u>	<u>582,686</u>	<u>397,490</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	30,000	740,259	1,072,798	332,539
FUND BALANCE - BEGINNING	<u>613,532</u>	<u>613,532</u>	<u>613,532</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 643,532</u>	<u>\$ 1,353,791</u>	<u>\$ 1,686,330</u>	<u>\$ 332,539</u>

See independent auditor's report.

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, 2021

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)
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 asset, which is June 30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditor's report.

**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
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%

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

See independent auditor's report.

City of Box Elder, South Dakota
Notes to the Supplementary Information
For the Year Ended December 31, 2021

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 expenditures within each function while the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis presents capital outlay expenditures 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 governing board, the operating budget is legally binding, and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board. The City did not encumber any amounts at December 31, 2021.

NOTE 3 - PENSION CONTRIBUTIONS

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

See independent auditor's report.

City of Box Elder, South Dakota
Notes to the Supplementary Information
For the Year Ended December 31, 2021

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% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes

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

See independent auditor's report.

**City of Box Elder, South Dakota
Schedule of Municipal Officials
December 31, 2021**

MAYOR

Larry Larson

COUNCIL MEMBERS

James Brown

Rick Davis

Rob Griffith

Jeff Hollinshead

Michael Knight

John Talich

FINANCE OFFICER

Nicole Schneider

See independent auditor's report.