

CITY OF DEADWOOD

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023**

CITY OF DEADWOOD

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Deadwood
Deadwood, South Dakota

Report on the Financial Statements

Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deadwood (the City), as of and for the year ended December 31, 2023, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 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 there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards 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 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 other internal control matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison information, and pension schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

CITY OF DEADWOOD

**STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS				
Cash and Investments	\$	27,235,050	\$ 5,153,844	\$ 32,388,894
Accounts Receivable		2,455,193	27,881	2,483,074
Notes Receivable, Net of Allowance of \$123,520		2,191,346	-	2,191,346
Restricted Cash and Cash Equivalents		1,221,763	-	1,221,763
Net Pension Asset		11,985	1,833	13,818
Capital Assets:				
Land		7,293,130	290,740	7,583,870
Other Capital Assets, Net of Depreciation		48,291,607	16,979,029	65,270,636
TOTAL ASSETS		88,700,074	22,453,327	111,153,401
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows of Resources		924,594	141,402	1,065,996
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	89,624,668	\$ 22,594,729	\$ 112,219,397
LIABILITIES				
Accounts Payable	\$	1,892,119	\$ 165,724	\$ 2,057,843
Other Current Liabilities		249,689	44,670	294,359
Long-Term Liabilities:				
Due Within One Year		920,994	190,942	1,111,936
Due in More Than One Year		3,162,791	298,732	3,461,523
TOTAL LIABILITIES		6,225,593	700,068	6,925,661
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows of Resources		598,971	91,602	690,573
NET POSITION				
Net Investment in Capital Assets		51,655,862	16,809,284	68,465,146
Restricted for:				
Rubble Site Purposes		92,950	-	92,950
Revolving Loan and Grant		4,342,858	-	4,342,858
Debt Service		446,620	-	446,620
Library		292,923	-	292,923
SDRS Pension		337,608	51,633	389,241
Historic Preservation Purposes		9,341,809	-	9,341,809
Recreational and Promotional Purposes		2,365,923	-	2,365,923
Business Improvement Purposes		1,022,857	-	1,022,857
Fuller Trail Project		120,000	-	120,000
Perpetual Care Cemetery:				
Expendable		32,644	-	32,644
Nonexpendable		50,000	-	50,000
Unrestricted		12,698,050	4,942,142	17,640,192
TOTAL NET POSITION		82,800,104	21,803,059	104,603,163
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$	89,624,668	\$ 22,594,729	\$ 112,219,397

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	----- Program Revenues -----				Net (Expense) Revenue and ----- Changes in Net Position -----		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 3,467,393	\$ 543,722	\$ -	\$ -	\$ (2,923,671)	\$ -	\$ (2,923,671)
Public Safety	1,955,222	151,657	-	10,000	(1,793,565)	-	(1,793,565)
Public Works	1,548,189	162,880	74,358	-	(1,310,951)	-	(1,310,951)
Health and Welfare	7,892	-	-	-	(7,892)	-	(7,892)
Culture and Recreation	3,590,977	677,372	-	1,327,942	(1,585,663)	-	(1,585,663)
Conservation and Development	3,018,726	-	-	-	(3,018,726)	-	(3,018,726)
Interest on Long-Term Debt*	271,217	-	-	-	(271,217)	-	(271,217)
Total Governmental Activities	13,859,616	1,535,631	74,358	1,337,942	(10,911,685)	-	(10,911,685)
Business-Type Activities:							
Water	1,025,650	1,150,373	-	-	-	124,723	124,723
Sewer	86,437	91,004	-	-	-	4,567	4,567
Historic Cemeteries	156,347	167,503	-	-	-	11,156	11,156
Parking and Transportation	1,815,278	1,715,677	-	-	-	(99,601)	(99,601)
Total Business-Type Activities	3,083,712	3,124,557	-	-	-	40,845	40,845
Total Primary Government	\$ 16,943,328	\$ 4,660,188	\$ 74,358	\$ 1,337,942	(10,911,685)	40,845	(10,870,840)
General Revenues:							
Taxes:							
Property Taxes					2,093,049	-	2,093,049
Sales Taxes					5,962,990	-	5,962,990
Business Occupation Taxes					2,024,477	-	2,024,477
State Shared Revenue					7,139,606	-	7,139,606
Unrestricted Investment Earnings					384,053	12,764	396,817
Miscellaneous Revenue					376,009	-	376,009
Transfers					(210,814)	210,814	-
Total General Revenue					17,769,370	223,578	17,992,948
Change in Net Position					6,857,685	264,423	7,122,108
Net Position, Beginning					75,942,419	21,538,636	97,481,055
Net Position, Ending					\$ 82,800,104	\$ 21,803,059	\$ 104,603,163

The accompanying notes are an integral part of the financial statements.

*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on the general long-term debt.

CITY OF DEADWOOD

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan and Grant Fund
Assets			
101 Cash and Cash Equivalents	\$ 10,188,227	\$ 9,323,730	\$ 1,694,771
105 Investments	1,902,978	-	775,014
108 Property Taxes Receivable	8,496	-	-
110 Sales Taxes Receivable	365,774	-	-
115 Accounts Receivable	14,783	9,006	3,987
131 Notes Receivable	-	-	2,191,346
132 Due from Other Governments	1,592,279	302,973	-
135 Interest Receivable	-	-	1,536
107 Restricted Cash and Cash Equivalents	341,447	284,711	-
Total Assets	\$ 14,413,984	\$ 9,920,420	\$ 4,666,654
Liabilities, Deferred Inflows of Resources and Fund Balances			
<i>Liabilities</i>			
202 Accounts Payable	\$ 1,289,102	\$ 257,817	\$ 323,796
216 Accrued Wages Payable	67,293	6,254	-
209 Due to Other Governments	-	29,829	-
220 Customer Deposits	10,012	-	-
Total Liabilities	1,366,407	293,900	323,796
<i>Deferred Inflows of Resources</i>			
244 Unavailable Revenue - Gaming Revenue	-	274,992	-
245 Unavailable Revenue - Property Taxes	5,465	-	-
246 Unavailable Revenue - Sales Taxes	250,171	-	-
247 Unavailable Revenue - Grant Revenue	1,327,942	-	-
Total Deferred Inflows of Resources	1,583,578	274,992	-
<i>Fund Balances</i>			
263 <i>Nonspendable:</i>			
263.51 Perpetual Care Cemetery	-	-	-
264 <i>Restricted:</i>			
264 Debt Service	-	284,711	-
264.01 Library	-	-	-
264.02 Rubble Site Purposes	-	-	-
264.03 Cemetery Perpetual Care Purposes	-	-	-
264.04 Recreational and Promotional Purposes	-	-	-
264.05 Business Improvement Purposes	-	-	-
264.06 Historic Preservation	-	9,066,817	-
264.07 Revolving Loan and Grant Purposes	-	-	4,342,858
264.08 Fuller Trail Project	120,000	-	-
266 <i>Assigned:</i>			
266.01 Subsequent Year's Budget	891,898	-	-
Capital Outlay Accumulation	341,447	-	-
267 Unassigned	10,110,654	-	-
Total Fund Balances	11,463,999	9,351,528	4,342,858
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,413,984	\$ 9,920,420	\$ 4,666,654

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 3,012,343	\$ 24,219,071
337,987	3,015,979
-	8,496
87,917	453,691
14,293	42,069
-	2,191,346
54,149	1,949,401
-	1,536
595,605	1,221,763
<u>\$ 4,102,294</u>	<u>\$ 33,103,352</u>

\$ 21,404	\$ 1,892,119
8,855	82,402
-	29,829
-	10,012
<u>30,259</u>	<u>2,014,362</u>

-	274,992
-	5,465
52,829	303,000
-	1,327,942
<u>52,829</u>	<u>1,911,399</u>

50,000	50,000
161,909	446,620
292,923	292,923
92,950	92,950
32,644	32,644
2,365,923	2,365,923
1,022,857	1,022,857
-	9,066,817
-	4,342,858
-	120,000
-	891,898
-	341,447
-	10,110,654
<u>4,019,206</u>	<u>29,177,591</u>

<u>\$ 4,102,294</u>	<u>\$ 33,103,352</u>
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CITY OF DEADWOOD

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total Fund Balances - Governmental Funds \$ 29,177,591

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	55,584,737
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	(4,083,785)
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	11,985
Pension related deferred outflows are components of pension assets and therefore are not reported in the funds.	924,594
Pension related deferred inflows are components of pension assets and therefore are not reported in the funds.	(598,971)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.	(127,446)
Assets such as delinquent taxes receivable and grants receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	1,911,399
Total Net Position - Governmental Funds	\$ 82,800,104

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

		General Fund	Historic Restoration and Preservation Fund	Revolving Loan and Grant Fund
Revenue				
<i>Taxes:</i>				
311	General Property Taxes	\$ 1,323,875	\$ -	\$ -
313	General Sales and Use Taxes	4,786,510	-	-
314	Business Occupation Taxes	-	-	-
319	Penalties and Interest on Delinquent Taxes	1,494	-	-
320	Licenses and Permits	394,327	-	-
<i>Intergovernmental Revenue:</i>				
331	Federal Grants	10,000	-	-
334	State Grants	74,358	-	-
<i>State Shared Revenue:</i>				
335.01	Bank Franchise Tax	12,013	-	-
335.03	Liquor Tax Reversion	7,946	-	-
335.04	Motor Vehicle Licenses (5%)	25,824	-	-
335.08	Local Government Highway and Bridge Fund	35,971	-	-
338.99	Gaming Proceeds	-	7,104,280	-
<i>County Shared Revenue:</i>				
339	Other Intergovernmental Revenue	5,514	-	-
<i>Charges for Goods and Services:</i>				
341	General Government	14,943	-	-
342	Public Safety	4,985	-	-
344	Sanitation	146,075	-	-
346	Culture and Recreation	45,711	477,250	-
348	Cemeteries	7,600	-	-
350	Fines and Forfeits	240	-	-
<i>Miscellaneous Revenue:</i>				
361	Earnings on Deposits and Investments	144,520	143,969	71,610
362	Rentals	98,746	-	-
367	Contributions and Donations	8,449	-	-
369	Other	185,769	5,515	-
Total Revenue		7,334,870	7,731,014	71,610

Other Governmental Funds	Total Governmental Funds
\$ 744,044	\$ 2,067,919
1,176,480	5,962,990
2,024,477	2,024,477
-	1,494
-	394,327
-	10,000
-	74,358
-	12,013
-	7,946
-	25,824
-	35,971
-	7,104,280
82,621	88,135
-	14,943
-	4,985
-	146,075
154,411	677,372
5,350	12,950
357	597
23,954	384,053
-	98,746
27,257	35,706
2,705	193,989
<u>4,241,656</u>	<u>19,379,150</u>

CITY OF DEADWOOD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Historic Restoration and Preservation Fund	Revolving Loan and Grant Fund
Expenditures			
<i>General Government:</i>			
411 Legislative	342,369	-	-
413 Elections	1,499	-	-
414 Financial Administration	486,881	-	-
419 Other	1,206,189	437,500	-
<i>Public Safety:</i>			
421 Police	1,472,978	-	-
422 Fire	271,212	-	-
423 Protective Inspection	87,594	-	-
<i>Public Works:</i>			
431 Highways and Streets	875,017	-	-
432 Sanitation	158,208	-	-
437 Cemeteries	27,623	-	-
<i>Health and Welfare:</i>			
441 Health	7,892	-	-
<i>Culture and Recreation:</i>			
452 Parks	890,198	-	-
455 Libraries	-	-	-
457 Historical Preservation	-	2,282,434	-
<i>Conservation and Development:</i>			
465 Economic Development and Assistance	58,627	-	593,657
470 Debt Service	329,421	1,492,693	-
485 Capital Outlay	2,701,069	1,534,465	-
Total Expenditures	8,916,777	5,747,092	593,657
Excess of Revenue Over (Under) Expenditures	(1,581,907)	1,983,922	(522,047)
Other Financing Sources (Uses)			
391 Transfers In	1,434,714	-	-
391 Sale of Municipal Property	770	-	-
391 Lease Proceeds	65,916	-	-
391 Compensation for Loss or Damage to Capital Assets	182,020	-	-
511 Transfers Out	(89,829)	(1,533,170)	-
Total Other Financing Sources (Uses)	1,593,591	(1,533,170)	-
Net Change in Fund Balances	11,684	450,752	(522,047)
Fund Balances - December 31, 2022	11,452,315	8,900,776	4,864,905
Fund Balances - December 31, 2023	\$ 11,463,999	\$ 9,351,528	\$ 4,342,858

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
-	342,369
-	1,499
-	486,881
637,188	2,280,877
-	1,472,978
-	271,212
-	87,594
-	875,017
-	158,208
-	27,623
-	7,892
-	890,198
130,329	130,329
-	2,282,434
2,366,095	3,018,379
628,473	2,450,587
30,077	4,265,611
3,792,162	19,049,688
449,494	329,462
89,829	1,524,543
-	770
-	65,916
-	182,020
(112,358)	(1,735,357)
(22,529)	37,892
426,965	367,354
3,592,241	28,810,237
\$ 4,019,206	\$ 29,177,591

CITY OF DEADWOOD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Government Funds \$ 367,354

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense.	
Capital Asset Purchases Capitalized	4,265,611
Depreciation Expense	(1,202,536)
	<u>3,063,075</u>
The governmental fund financial statement accruals differ from the government-wide statement accruals in that the fund financial statements require the amounts to be "available." These include: Property Taxes, Sales Taxes, Gaming Proceeds, and Grant Revenue.	1,366,945
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position.	2,155,699
The issuance of long-term debt is an other financing source in the fund statements but an increase to long-term liabilities on the Statement of Net Position.	(65,916)
Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures.	29,523
Governmental funds do not reflect the change in accrued interest, but the Statement of Activities reflects the change in accrued interest through expenditures.	23,671
Changes in the pension related deferred outflows/inflows, net pension asset and related pension revenue/expense are direct components of pension asset and are not reflected in the governmental funds.	(82,666)
Change in Net Position of Governmental Activities	\$ 6,857,685

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water Fund	Sewer Fund	Historic Cemeteries Fund	Parking and Transportation Fund	Total Proprietary Funds
Assets					
Current Assets					
101 Cash and Cash Equivalents	\$ 1,792,959	\$ 363,724	\$ 285,902	\$ 2,194,059	\$ 4,636,644
105 Investments	-	-	517,200	-	517,200
115 Accounts Receivable	20,617	1,637	1,288	4,339	27,881
Total Current Assets	1,813,576	365,361	804,390	2,198,398	5,181,725
Noncurrent Assets					
189 Net Pension Asset	774	-	-	1,059	1,833
Capital Assets					
160 Land	-	-	65,740	225,000	290,740
162 Buildings	-	-	120,808	-	120,808
163 Accumulated Depreciation (AD) - Buildings	-	-	(14,833)	-	(14,833)
164 Improvements Other Than Buildings	8,535,865	3,908,448	6,165,919	12,163,067	30,773,299
165 AD - Improvements Other Than Buildings	(3,758,842)	(1,652,197)	(1,045,978)	(8,434,201)	(14,891,218)
166 Machinery and Equipment	564,332	41,983	11,868	1,424,401	2,042,584
167 AD - Machinery and Equipment	(441,665)	(22,566)	(1,187)	(586,193)	(1,051,611)
Total Noncurrent Assets	4,900,464	2,275,668	5,302,337	4,793,133	17,271,602
Deferred Outflows of Resources					
248 Pension Related Deferred Outflows	59,718	-	-	81,684	141,402
Total Assets and Deferred Outflows of Resources	\$ 6,773,758	\$ 2,641,029	\$ 6,106,727	\$ 7,073,215	\$ 22,594,729
Liabilities and Net Position					
Current Liabilities					
202 Accounts Payable	\$ 104,728	\$ -	\$ 10,679	\$ 50,317	\$ 165,724
205 Current Portion of Long-Term Debt	-	-	-	161,753	161,753
215 Accrued Interest Payable	-	-	-	24,993	24,993
216 Accrued Wages	6,995	-	-	12,682	19,677
233 Accrued Leave Payable	12,973	-	-	16,216	29,189
Total Current Liabilities	124,696	-	10,679	265,961	401,336
Long-Term Liabilities					
237 Long-Term Debt, Net of Current Portion	-	-	-	298,732	298,732
Total Long-Term Liabilities	-	-	-	298,732	298,732
Deferred Inflows of Resources					
248 Pension Related Deferred Inflows	38,686	-	-	52,916	91,602
Net Position					
253.1 Net Investment in Capital Assets	4,899,690	2,275,668	5,302,337	4,331,589	16,809,284
235.29 Restricted for SDRS Pension	21,806	-	-	29,827	51,633
262.0 Unrestricted	1,688,880	365,361	793,711	2,094,190	4,942,142
Total Net Position	6,610,376	2,641,029	6,096,048	6,455,606	21,803,059
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,773,758	\$ 2,641,029	\$ 6,106,727	\$ 7,073,215	\$ 22,594,729

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Historic Cemeteries Fund	Parking and Transportation Fund	Total Proprietary Funds
Operating Revenue					
380 Charges for Goods and Services	\$ 1,150,373	\$ 91,004	\$ 167,503	\$ 1,715,677	\$ 3,124,557
Operating Expenses					
410 Personal Services	306,973	-	39,190	511,585	857,748
420 Other Current Expenses	525,767	-	56,404	582,052	1,164,223
457 Depreciation	192,910	86,437	60,753	685,819	1,025,919
Total Operating Expenses	1,025,650	86,437	156,347	1,779,456	3,047,890
Operating Income (Loss)	124,723	4,567	11,156	(63,779)	76,667
Non-Operating Income (Expense)					
361 Earnings on Deposits and Investments	2,625	533	6,542	3,064	12,764
470 Interest Expense	-	-	-	(35,822)	(35,822)
Total Non-Operating Income (Expense)	2,625	533	6,542	(32,758)	(23,058)
Income (Loss) before Transfers	127,348	5,100	17,698	(96,537)	53,609
391.01 Transfers In	160,814	-	-	50,000	210,814
	160,814	-	-	50,000	210,814
Change in Net Position	288,162	5,100	17,698	(46,537)	264,423
Net Position - December 31, 2022	6,322,214	2,635,929	6,078,350	6,502,143	21,538,636
Net Position - December 31, 2023	\$ 6,610,376	\$ 2,641,029	\$ 6,096,048	\$ 6,455,606	\$ 21,803,059

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Historic Cemeteries Fund	Parking and Transportation Fund	Total Proprietary Funds
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 1,200,544	\$ 97,078	\$ 167,257	\$ 1,714,117	\$ 3,178,996
Payments to Suppliers	(436,941)	-	(78,629)	(541,254)	(1,056,824)
Payments to Employees	(313,453)	-	(39,190)	(508,937)	(861,580)
Net Cash Flows Provided by Operating Activities	450,150	97,078	49,438	663,926	1,260,592
Cash Flows Provided by Noncapital Financing Activities:					
Transfers In	160,814	-	-	50,000	210,814
Net Cash Flows Provided by Noncapital Financings Activities	160,814	-	-	50,000	210,814
Cash Flows from Capital and Related Financing Activities:					
Purchase of Capital Assets	(101,577)	-	-	(29,722)	(131,299)
Principal Paid on Capital Debt	-	-	-	(150,986)	(150,986)
Interest Paid	-	-	-	(43,649)	(43,649)
Net Cash Flows Used in Capital and Related Financing Activities	(101,577)	-	-	(224,357)	(325,934)
Cash Flows Provided by Investing Activities:					
Interest Received/Gain on Investment	2,625	533	6,542	3,064	12,764
Change in Cash, Cash Equivalents and Investments	512,012	97,611	55,980	492,633	1,158,236
Cash, Cash Equivalents and Investments - December 31, 2022	1,280,947	266,113	747,122	1,701,426	3,995,608
Cash, Cash Equivalents and Investments - December 31, 2023	\$ 1,792,959	\$ 363,724	\$ 803,102	\$ 2,194,059	\$ 5,153,844
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities					
Operating Income (Loss)	\$ 124,723	\$ 4,567	\$ 11,156	\$ (63,779)	\$ 76,667
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</i>					
Depreciation Expense	192,910	86,437	60,753	685,819	1,025,919
Change in Assets and Liabilities:					
Receivables	50,171	6,074	(246)	(1,560)	54,439
Net Pension Asset	146	-	-	(146)	-
Pension Related Deferred Outflows	23,225	-	-	705	23,930
Accounts Payable	88,826	-	(22,225)	40,798	107,399
Accrued Wages	(16,576)	-	-	1,820	(14,756)
Accrued Leave Payable	1,518	-	-	474	1,992
Pension Related Deferred Inflows	(14,793)	-	-	(205)	(14,998)
Net Cash Flows Provided by Operating Activities	\$ 450,150	\$ 97,078	\$ 49,438	\$ 663,926	\$ 1,260,592
Reconciliation of Cash, Cash Equivalents and Investments:					
Cash and Cash Equivalents	\$ 1,792,959	\$ 363,724	\$ 285,902	\$ 2,194,059	\$ 4,636,644
Investments	-	-	517,200	-	517,200
Total Cash, Cash Equivalents and Investments	\$ 1,792,959	\$ 363,724	\$ 803,102	\$ 2,194,059	\$ 5,153,844

The accompanying notes are an integral part of the financial statements.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of the City of Deadwood (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, plus those funds for which the primary government has a fiduciary responsibility); 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.

Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

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

Governmental Funds:

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

Special Revenue 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. The City has the following special revenue funds:

Historic Restoration and Preservation Fund – to account for a special fund within the City, financed from appropriations to be expended for loans, grants, and purchases for historical restoration and preservation (SDCL 42-7B-46). This is a major fund.

Revolving Loan and Grant Fund – to account for historic restoration and preservation loans and grants made to private individuals and businesses for historic preservation purposes. Loans are to be repaid over a period of years. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds column on the fund financial statements: Library, Bed and Booze, Business Improvement Districts #1-6, Business Improvement District #7 – Occupancy Tax, Business Improvement District #8, and Business Improvement District #9. These are not major funds.

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 cost.

The Tax Increment Financing District #6 (Lodge at Deadwood), Tax Increment Financing District #8 (Stage Run Development), Tax Increment Financing District #9 (Cadillac Jack's-Optima LLC), Tax Increment Financing District #10 (TRU Hotel), Tax Increment Financing District #11 (Deadwood Hotels, LLC), and Tax Increment Financing District #12 (Stage Run). Debt service funds are reported in the aggregate in the Other Governmental Funds column on the fund financial statements. These are not major funds.

Permanent Funds – permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is for the benefit of the City and its citizenry.

Oak Ridge Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is not a major fund.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Proprietary Funds:

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

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

The City has the following enterprise funds:

Water Fund – A fund established by SDCL 9-47-1 to account for the operation of the City's waterworks systems and related facilities and is financed primarily by user charges. This is a major fund.

Sewer Fund – A fund established by SDCL 9-48-2 to account for the operation of the City's sanitary sewer system and related facilities and is financed primarily by user charges. This is a major fund.

Historic Cemeteries Fund – A fund financed primarily by user charges. This fund accounts for operation and maintenance of the Mt. Moriah and St. Ambrose cemeteries. This is a major fund.

Parking and Transportation Fund – A fund financed primarily by user charges. This fund accounts for operation and maintenance of the parking ramp, parking lots, and trolley operation. This is a major fund.

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.

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 on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified-accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified-accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City, the length of that cycle is 45 days. The revenues which are accrued at December 31, 2023, are property and sales tax, and amounts due from other governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Cash and Cash Equivalents

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

Capital Assets

Capital assets include land, buildings, machinery and equipment, construction in progress and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Capital Assets

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are reported at their acquisition value on the donation date. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004, are recorded at cost, and classified as Improvements Other Than Buildings.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -0-	-----N/A-----	-----N/A-----
Improvements Other Than Buildings	\$ 5,000	Straight-line	10-100 years
Buildings	\$ 5,000	Straight-line	10-50 years
Machinery and Equipment	\$ 5,000	Straight-line	5-25 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the governmental fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of tax increment financing obligations, financing arrangements, and compensated absences.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Long-Term Liabilities

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis for both the fund statements and the government-wide statements.

Program Revenues

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

1. Charges for services – 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 – arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are restricted for use in a particular program.
3. Program-specific capital grants and contributions – arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are restricted for the acquisition of capital assets for use in a particular program.

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. City contributions and net pension assets are recognized on an accrual basis of accounting.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position– consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – all other net position that do not meet the definition of restricted or net investment in capital assets.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Equity Classifications

Fund Financial Statements:

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

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by action of the Mayor and the City Commission.

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.

With regard to the City's governmental funds, the City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

Proprietary fund equity is classified the same as in the government-wide financial statements. With regard to the City's proprietary funds, it is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

Emerging Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The statement is effective for the City's year ending December 31, 2024.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Emerging Accounting Standards

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued. The statement is effective for the City's year ending December 31, 2025.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which improves key components of the financial reporting model to enhance its effectiveness in providing information to the users of the financial statements. The statement redefines the information to be included in management's discussion and analysis, clarifies operating vs. nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses and changes in fund net position, provides guidance on the presentation of unusual or infrequent items, updates the requirements of presentation of major component unit information, and changes the presentation of the budgetary comparison schedules. The statement is effective for the City's year ending December 31, 2026.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain information regarding capital assets to be presented by major class. This includes lease assets, intangible right-to-use assets under public-private and public-public partnerships, subscription assets, and certain other intangible assets. In addition, new disclosures surrounding capital assets held for sale are required. The statement is effective for the City's year ending December 31, 2026.

The City is currently evaluating the impact these statements will have on the financial statements.

Subsequent Events

The City has assessed subsequent events through March 17, 2025, the date which the financial statements were available to be issued.

(2) 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 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA", or a qualified public depository may furnish a corporate surety bond of a corporation duly authorized to do business in South Dakota.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(2) Deposits and Investments

Investments – In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; 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.

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.

As of December 31, 2023, the City had the following investments:

Investment	Credit Rating	Maturity	Fair Value
Money Market, included in Cash Equivalents	Unrated	N/A	\$ 13,711,536
Non-negotiable Certificates of Deposit	Unrated	< 2 Years	3,533,179
Total Investments			\$ 17,244,715

The City measures all money market investments at Level 2 in the fair value hierarchy.

Interest Rate Risk:

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

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:

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City has a policy to follow state law depository requirements. The bank balances at December 31, 2023 are as follows:

	Bank Balance
Insured - FDIC	\$ 14,618,350
Uninsured, collateralized in accordance with SDCL 4-6A-3	19,183,843
Total Deposits	\$ 33,802,193

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer. The City's certificates of deposit are held in First National Bank.

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 investments to the fund making the investment, except for the Oak Ridge Cemetery Perpetual Care Fund income, which is credited to the General Fund as required by SDCL 9-32-18.

The City segregates restricted cash and cash equivalents totaling \$1,221,763 at December 31, 2023, in separate accounts as required by various debt covenant reserve requirements.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(3) Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. Deferred outflows of resources consist of pension activity.

In addition to liabilities, the Governmental Funds Balance Sheet and Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist of sales taxes, property taxes, gaming revenue, grant revenue, and pension activity.

(4) Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments before April 30 and October 31 of the following year. The county bills and collects the taxes and remits them to the City. 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.

(5) Notes Receivable

The City offers various grants and loans to residents through the revolving loan and grant fund for historic restoration and preservation projects. Some loans are forgivable if certain requirements are met. Loan balances are written off in the period forgiveness is granted by the Revolving Loan Board of Directors. Preservation loans totaling \$35,561 were forgiven during the year ended December 31, 2023. The note receivable balances at December 31, 2023 totaling \$2,314,866, include various payment terms and interest rates ranging from 0 percent to 5 percent. The City considers \$340,417 of the note receivable balance to be current within the next twelve months. The City has recorded an allowance for uncollectable accounts of approximately \$124,000 based on historical loss experience and future estimates.

As of the date of this report, the note receivable balance totals approximately \$2,315,000 (unaudited). The City continues to issue new loans, grant forgiveness, and collect payments in accordance with the terms of the agreements.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(6) Changes in Capital Assets

A summary of changes in capital assets for the year ending December 31, 2023, is as follows:

	Balance 12/31/2022	Additions	Transfers/ Deletions	Balance 12/31/2023
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 4,631,633	\$ 858,518	\$ -	\$ 5,490,151
Construction in Progress	-	1,802,979	-	1,802,979
Total Capital Assets, not being Depreciated	4,631,633	2,661,497	-	7,293,130
Capital Assets, being Depreciated:				
Buildings	35,451,892	-	-	35,451,892
Improvements Other Than Buildings	30,643,035	759,398	-	31,402,433
Machinery and Equipment	7,675,681	844,716	(88,288)	8,432,109
Total Capital Assets, being Depreciated	73,770,608	1,604,114	(88,288)	75,286,434
Less Accumulated Depreciation for:				
Buildings	4,265,899	267,623	-	4,533,522
Improvements Other Than Buildings	18,394,805	599,387	-	18,994,192
Machinery and Equipment	3,219,875	335,526	(88,288)	3,467,113
Total Accumulated Depreciation	25,880,579	1,202,536	(88,288)	26,994,827
Total Governmental Activities Capital Assets, being Depreciated, Net	47,890,029	401,578	-	48,291,607
Total Governmental Capital Assets, Net	\$ 52,521,662	\$ 3,063,075	\$ -	\$ 55,584,737

Depreciation expense was charged to functions as follows:

Public Works	\$ 477,708
Culture and Recreation	268,879
General Government	370,475
Public Safety	85,474
Total Depreciation Expense - Governmental	\$ 1,202,536

At December 31, 2024, the City had construction commitments of approximately \$6,300,000 and \$430,000 for the Whitewood Creek Repairs project and Timm Lane Bridge project, respectively.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(6) Changes in Capital Assets

	Balance 12/31/2022	Additions	Transfers/ Deletions	Balance 12/31/2023
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 290,740	\$ -	\$ -	\$ 290,740
Total Capital Assets, not being Depreciated	290,740	-	-	290,740
Capital Assets, being Depreciated:				
Buildings	120,808	-	-	120,808
Improvements Other Than Buildings	30,666,024	107,275	-	30,773,299
Machinery and Equipment	2,038,133	24,024	(19,573)	2,042,584
Total Capital Assets, being Depreciated	32,824,965	131,299	(19,573)	32,936,691
Less Accumulated Depreciation for:				
Buildings	14,028	805	-	14,833
Improvements Other Than Buildings	14,124,739	766,479	-	14,891,218
Machinery and Equipment	812,549	258,635	(19,573)	1,051,611
Total Accumulated Depreciation	14,951,316	1,025,919	(19,573)	15,957,662
Total Business-Type Activities Capital Assets, being Depreciated, Net	17,873,649	(894,620)	-	16,979,029
Total Business-Type Capital Assets, Net	\$ 18,164,389	\$ (894,620)	\$ -	\$ 17,269,769

Depreciation expense was charged to functions as follows:

Parking and Transportation	\$ 685,819
Water	192,910
Sewer	86,437
Historic Cemeteries	60,753
Total Depreciation Expense - Business-Type	\$ 1,025,919

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(7) Long-Term Debt

The following is a summary of the long-term debt activity for the year ending December 31, 2023:

	Balance 12/31/2022	Earned/ Borrowings	Used/ Repayments	Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Certificates of Participation	\$ 1,445,000	\$ -	\$ 1,445,000	\$ -	\$ -
Financing Arrangements	1,050,641	65,916	290,731	825,826	433,392
Tax Increment Financing	3,523,017	-	419,968	3,103,049	396,067
Compensated Absences	184,433	54,456	83,979	154,910	91,535
Total Governmental Activities	6,203,091	120,372	2,239,678	4,083,785	920,994
Business-Type Activities:					
Financing Arrangements	611,471	-	150,986	460,485	161,753
Compensated Absences	27,197	18,648	16,656	29,189	29,189
	638,668	18,648	167,642	489,674	190,942
Total Primary Government	\$ 6,841,759	\$ 139,020	\$ 2,407,320	\$ 4,573,459	\$ 1,111,936

Tax Increment Financing Obligations

Tax increment financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. In some instances, the City pledges future tax revenues generated by the tax increment district to acquire public improvements within the established Tax Increment District which were constructed by a private developer.

It is a specific condition of the developer's agreement and a condition of the City's obligation that all sums payable shall be limited to the proceeds of the positive tax increment. It is also specifically agreed that the City has made no representation that the proceeds from such funds shall be sufficient to retire the indebtedness incurred by the developer to construct the public improvements.

During the year ended December 31, 2023, property tax revenues were \$744,044 for TIFs #6, #8, #9, #10, and #11. Interest expenditures, excluding corresponding accruals, related to TIF obligations totaled \$208,505 for the year ended December 31, 2023.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(7) Long-Term Debt

Long-term debt at December 31, 2023 is comprised of the following:

Governmental Activities:

Tax Increment Financing Obligations

TIF #8, matures June 2026, variable interest (6.25 percent at December 31, 2023),
due in annual variable principal payments. Financed through TIF #8 Debt Service Fund. 332,653

TIF #9, matures April 2028, including interest at 6.00 percent, due in variable
semi-annual installments. Financed through the TIF #9 Debt Service Fund. 584,456

TIF #10, matures November 2040, interest at 6.00 percent, due in variable semi-annual
payments installments. Financed through the TIF #10 Debt Service Fund. 2,185,940

Total Tax Increment Financing Obligations 3,103,049

Financing Arrangements

Financing arrangement for equipment, matures January 2025, interest at 3.60 percent,
due in variable annual payments. Financed through the General Fund. 59,846

Financing arrangement for equipment, matures September 2024, interest at 3.60 percent,
due in annual variable payments. Financed through the General Fund. 292,471

Financing arrangement for equipment, matures July 2025, interest at 3.50 percent, due in
variable annual payments. Financed through the General Fund. 213,076

Financing arrangement for equipment, matures August 2025, interest at 3.50 percent,
due in variable annual payments. Financed through the General Fund. 48,387

Financing arrangement for equipment, matures January 2025, interest at 3.60 percent,
due in variable annual payments. Financed through the General Fund. 27,906

Financing arrangement for equipment, matures June 2024, interest at 4.44 percent,
due in variable annual payments. Financed through the General Fund. 30,837

Financing arrangement for equipment, matures January 2025, non-interest bearing, due in
quarterly payments of \$1,251. Financed through the General Fund. 14,099

Financing arrangement for equipment, matures May 2026, interest at 4.50 percent,
due in variable annual principal payments. Financed through the General Fund. 90,051

Financing arrangement for equipment, matures July 2026, interest at 1.218 percent,
due in variable annual principal payments. Financed through the General Fund. 49,153

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(7) Long-Term Debt

Business-type Activities:

Financing Arrangements

Financed purchase of 5 Trolleys, various maturity dates from March 2025 through May 2027, interest at 6.69 percent, due in variable monthly payments ranging from \$2,807 to \$4,067.

Financed through the Parking and Transportation Fund.	460,485
Total Financing Arrangements	1,286,311

Compensated Absences

General Fund	154,910
Water Fund	12,973
Parking and Transportation Fund	16,216
Total Compensated Absences	184,099

Total Long-Term Debt	\$ 4,573,459
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The annual requirements to amortize long-term debt outstanding as of December 31, 2023, except for compensated absences are as follows:

	Tax Increment Financing (a)		Financing Arrangements		Total	
	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 143,133	\$ 396,067	\$ 61,685	\$ 595,145	\$ 204,818	\$ 991,212
2025	159,242	348,133	32,749	493,727	191,991	841,860
2026	140,201	207,327	10,734	160,140	150,935	367,467
2027	127,698	219,167	2,701	37,299	130,399	256,466
2028	114,791	207,179	-	-	114,791	207,179
2029-2033	442,528	588,255	-	-	442,528	588,255
2034-2038	240,129	790,654	-	-	240,129	790,654
2039-2040	24,506	346,267	-	-	24,506	346,267
Total	\$ 1,392,228	\$ 3,103,049	\$ 107,869	\$ 1,286,311	\$ 1,500,097	\$ 4,389,360

- (a) TIF Obligation maturities are based on projected future property tax increments. Actual repayments will vary dependent on property tax increments received.

(8) Interfund Transfers

Interfund transfers for the year ended December 31, 2023 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,434,714	\$ 89,829
Historic Restoration and Preservation Fund	-	1,533,170
Other Governmental Funds	89,829	112,358
Water Fund	160,814	-
Parking and Transportation Fund	50,000	-
Total Transfers	\$ 1,735,357	\$ 1,735,357

Transfers between the funds were made to cover general operational costs of the City.

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(9) Pension Plan

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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.

Authority for establishing, administering and amending plan provisions are 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://www.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 classes of 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.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60% joint survivor benefit when the member dies.

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

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (COLA) process. At each valuation date:

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(9) Pension Plan

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021 were \$219,100, \$218,436, and \$206,596, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023, SDRS is 100.10 percent 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 June 30, 2023 and reported by the City as of December 31, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 17,805,514	\$ 2,723,067	\$ 20,528,581
Less: Proportionate Share of Total Pension Liability	(17,793,529)	(2,721,234)	(20,514,763)
Proportionate Share of Net Pension Asset	\$ 11,985	\$ 1,833	\$ 13,818

At December 31, 2023, the City reported an asset of \$13,818 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.1415720 percent, which is a decrease of .0124010 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension revenue of \$309,832. At December 31, 2023, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 391,680	\$ -
Changes in Assumption	472,420	690,573
Net Difference between Projected and Actual Earnings on Pension Plan Investments	91,996	-
City Contributions Subsequent to the Measurement Date	109,900	-
Total	\$ 1,065,996	\$ 690,573

CITY OF DEADWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(9) Pension Plan

Deferred outflows of resources includes \$109,900 resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension asset in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

2024	\$ 188,178
2025	(209,535)
2026	267,445
2027	19,435
	<u>\$ 265,523</u>

Actuarial Assumptions:

The total pension asset in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66 percent at entry to 3.15 percent after 25 years of service
Discount Rate	6.50 percent, net of pension plan investment expenses. This is composed of an average inflation rate of 2.50 percent and real returns of 4.00 percent.
Future COLAs	1.91 percent

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated

Vested Members: Teachers, Certified Regents, and Judicial: PubT-2010; Other Class A Members: PubG-2010; Public Safety Members: PubS-2010

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, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2022.

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(9) Pension Plan

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, 2023 (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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employee 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 asset.

Sensitivity of Asset to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,832,217	\$ (13,818)	\$ (2,341,332)

Pension Plan Fiduciary Net Position:

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

CITY OF DEADWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage or destruction of assets; errors or omissions; injuries to employees; and natural disasters. During the year ending December 31, 2023, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. 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 and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and premiums are accrued 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, vehicle coverage, wrongful acts, and errors and omissions of public officials.

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

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (the 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 member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium to 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 of \$2,000,000 per incident.

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During the year ended December 31, 2023, no significant claims were filed for unemployment benefits and none are anticipated in the next fiscal year.

SINGLE AUDIT SECTION

CITY OF DEADWOOD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Pass-Through Entity Identifying Number	Assistance Listing Number	Amount
<i>U.S. Department of Agriculture</i>			
Pass-Through the S.D. Department of Public Safety			
Cooperative Forestry Assistance	12-DG-11020000-15	10.664	\$ 10,000
Total U.S. Department of Agriculture			10,000
<i>U.S. Department of Homeland Security</i>			
Pass-Through the S.D. Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	PA-08-SD-4467-PW-00026(46)	97.036	1,160,050
Total U.S. Department of Homeland Security			1,160,050
Total			\$ 1,170,050

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Deadwood (the City) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2: Indirect Cost Rate

The City did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Commission
City of Deadwood
Deadwood, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deadwood (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings as #2023-001 and #2023-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as #2023-003 to be a significant deficiency.

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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 17, 2025



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Commission
City of Deadwood
Deadwood, South Dakota

Report on Compliance for Each Major Federal Program

Unmodified Opinions

We have audited City of Deadwood'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, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings for the year ended December 31, 2023.

Basis for Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 qualified and unmodified opinions 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, 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 generally accepted auditing standards, *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 generally accepted auditing standards, 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 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as #2023-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as #2023-004 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of Findings. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in dark ink, reading "Ketel Thorstenson, LLP". The signature is fluid and cursive, with the letters "K" and "T" being particularly prominent.

KETEL THORSTENSON, LLP
Certified Public Accountants

March 17, 2025

CITY OF DEADWOOD

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on all of the financial statements of City of Deadwood (the City).
2. Material weaknesses and significant deficiencies disclosed during the audit of the financial statements are 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*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. A material weakness and a significant deficiency disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the City expresses an unmodified opinions on the major program, as listed in #7.
6. Audit findings relative to the major federal award program for the City are reported in Part C of this schedule.
7. The program tested as major programs include *U.S. Department of Homeland Security* Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN #97.036.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The City was not determined to be a low risk auditee.

CITY OF DEADWOOD

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

FINDING #2023-001: Financial Statement and Schedule of Expenditure of Federal Awards (SEFA) Preparation

Federal Program Affected: Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN #97.036

Compliance Requirement: Reporting

Questioned Costs: None.

Condition and Cause: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Additionally, during the course of our audit, there were significant adjustments made to the SEFA. Ultimately, it is management's responsibility to provide for the preparation of the City's statements, schedules and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the City at the same time in connection with our audit. This is not unusual for us to do this with cities of your size.

Criteria and Effect: It is our responsibility to inform the Commission that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the City's management.

Repeat Finding from Prior Year: Yes, prior year finding #2022-001.

Recommendation: As in prior years, we have instructed management to review a draft of the auditor prepared financials and adjusted SEFA in detail for their accuracy, we have answered any questions they might have, and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied the appropriate steps have been taken to provide the City with complete financial statements and SEFA. It is the responsibility of management and the Commission to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The City is in agreement with the finding. See Corrective Action Plan.

FINDING #2023-002: Audit Adjustments

Federal Program Affected: None.

Compliance Requirement: None.

Questioned Costs: None.

Condition and Cause: During our engagement, we proposed material audit adjustments that were approved and recorded by management. Adjustments included an entry to adjust net pension activity, capital assets including construction in progress and related accumulated depreciation, deferred inflows, accounts payable, allowance for uncollectible accounts, and debt service at year end. Furthermore, entries were proposed as a part of the audit but were not recorded due to their overall insignificance on the financial statements.

Criteria and Effect: These adjustments would not have been identified because of the City's existing internal controls, and therefore, would have resulted in a material misstatement of the City's financial statements.

Repeat Finding from Prior Year: Yes, prior year finding #2022-002.

CITY OF DEADWOOD

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

FINDING #2023-002: Audit Adjustments

Recommendation: We recommend that management consider the following:

- a. Management should continue to review and approve the pension entries.
- b. Capital assets, including construction in progress, should be reviewed to ensure all additions and disposals are properly reflected, including retainage payable and accounts payable.
- c. Management should review capital projects using federal grants for deferred inflows, construction in progress, and retainage payable.
- d. Forgiveness of notes receivable should be recorded as an expense rather than a reduction to allowance for uncollectible accounts.
- e. Debt should be reviewed to ensure all borrowings, payments, contributions, and extinguishments are properly reflected.

Response/Corrective Action Plan: The City is in agreement with the finding. See Corrective Action Plan.

SIGNIFICANT DEFICIENCY

FINDING #2023-003: Monitoring of Notes Receivable

Federal Program Affected: None.

Compliance Requirement: None.

Questioned Costs: None.

Condition and Cause: The City does not monitor the balance of outstanding notes receivable held by Neighborworks Dakota Home Resources (NDHR). Instead, they rely on information received from NDHR to adjust the general ledger periodically.

Criteria and Effect: The City should understand the composition of the underlying notes receivable. Without understanding the details of the notes receivable, the City is unable to address collectability, write-offs, and lending practices.

Repeat Finding from Prior Year: Yes, prior year finding #2022-003.

Recommendation: We recommend the City coordinate with NDHR to receive additional reporting quarterly throughout the year to determine if the loans held by NDHR are performing appropriately.

Response/Corrective Action Plan: The City is in agreement with the finding. See Corrective Action Plan.

CITY OF DEADWOOD

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT

Finding #2023-001 listed in Part B related to major programs as noted in each individual finding.

SIGNIFICANT DEFICIENCY

FINDING #2023-004: Written Uniform Guidance Policies

Federal Program Affected: Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN #97.036

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment.

Questioned Costs: None.

Condition and Cause: The City does not have written policies required under Uniform Guidance.

Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies. Not properly maintaining such policies may lead to noncompliance.

Repeat Finding from Prior Year: No.

Recommendation: The City should create written policies in accordance with Uniform Guidance.

Response/Corrective Action Plan: The City is in agreement with the finding. See Corrective Action Plan.

MANAGEMENT RESPONSE



CITY OF DEADWOOD

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023

The City of Deadwood respectfully submits the following summary schedule of prior audit findings from the December 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

#2022-001 FINDING: Financial Statement Preparation

Status: It is more cost effective for the City to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The City has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: Originally issued 2019.

Reasons for Recurrence and Corrective Action Plan: The City has accepted the risk associated with the auditor's preparing the financial statements and considers management's review sufficient. The finding is repeated as Finding #2023-001 in the Schedule of Findings. See Corrective Action Plan.

#2022-002 FINDING: Audit Adjustments

Status: The City attempted to make all necessary year-end adjustments, however, some audit adjustments were required in 2023.

Initial Year Report: Originally issued 2019.

Reasons for Recurrence and Corrective Action Plan: The City has accepted the risk associated with the auditor's preparing audit adjustments and considers management's review sufficient. The finding is repeated as Finding #2023-002 in the Schedule of Findings. See Corrective Action Plan.

#2022-003 FINDING: Monitoring of Notes Receivable

Status: At this time, the City will accept the degree of risk associated with this condition.

Initial Year Report: Originally issued 2021.

Reasons for Recurrence and Corrective Action Plan: The City plans to begin internally tracking notes receivable balances during 2025. The finding is repeated as Finding #2023-003 in the Schedule of Findings. See Corrective Action Plan.



CITY OF DEADWOOD

CORRECTIVE ACTION PLAN DECEMBER 31, 2023

City of Deadwood respectfully submits the following corrective action plan regarding findings from the December 31, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

FINDING #2023-001: Financial Statement and Schedule of Expenditure of Federal Awards (SEFA) Preparation

Responsible Individuals: Jessica McKeown, Finance Officer

Corrective Action Plan: The City Finance Officer reviews the financial statements and SEFA in detail each year. It is more cost effective and efficient for a public accounting firm to prepare the financial statements during the audit process. The City will continue to have the auditor prepare the annual financial statements.

Anticipated Completion Date: Ongoing

FINDING #2023-002: Audit Adjustments

Responsible Individuals: Jessica McKeown, Finance Officer

Corrective Action Plan: Year-end entries will be reviewed to ensure they are posted properly.

Anticipated Completion Date: Ongoing

FINDING #2023-003: Monitoring of Notes Receivable

Responsible Individuals: Jessica McKeown, Finance Officer

Corrective Action Plan: The City Finance Officer will begin internally tracking all individual outstanding note receivable balances to compare to NDHR reports.

Anticipated Completion Date: December 2024

FINDING #2023-004: Written Uniform Guidance Policies

Responsible Individuals: Jessica McKeown, Finance Officer

Corrective Action Plan: The City is working on developing written Uniform Guidance policies.

Anticipated Completion Date: Ongoing