



Financial Statements
December 31, 2022 and 2021
City of Hecla

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Independent Auditor's Report

To the City Council
City of Hecla
Hecla, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hecla (the City), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis 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, 2022 and 2021, and the respective changes in modified cash basis financial position, and, where applicable, modified cash basis cash flows thereof for each of the years in the two year period then ended in conformity with the basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of employer's share of net pension liability (asset) and schedule of pension contributions, budgetary comparison schedules, and schedule of changes in long-term debt, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 GAAS. In our opinion, the schedule of net pension liability (asset) and schedule of pension contributions, budgetary comparison schedules, and schedule of changes in long-term debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota
June 20, 2024

City of Hecla
Statement of Net Position – Modified Cash Basis
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 173,094	\$ 638,366	\$ 811,460
Investments	20,264	162,543	182,807
Restricted assets:			
Cash and cash equivalents	1,385	12,432	13,817
Investments	80,332	21,827	102,159
Total assets	<u>\$ 275,075</u>	<u>\$ 835,168</u>	<u>\$ 1,110,243</u>
Net Position			
Restricted			
Debt service	\$ -	\$ 1,559	\$ 1,559
Customer deposits	-	32,700	32,700
Ambulance replacement	55,099	-	55,099
Permanently restricted purposes:			
Expendable	1,385	-	1,385
Non-Expendable	25,233	-	25,233
Unrestricted	<u>193,358</u>	<u>800,909</u>	<u>994,267</u>
Total net position	<u>275,075</u>	<u>835,168</u>	<u>1,110,243</u>
	<u>\$ 275,075</u>	<u>\$ 835,168</u>	<u>\$ 1,110,243</u>

City of Hecla
Statement of Net Position – Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 218,725	\$ 576,578	\$ 795,303
Investments	20,075	161,022	181,097
Restricted assets:			
Cash and cash equivalents	1,383	9,568	10,951
Investments	79,581	21,623	101,204
Total assets	<u>\$ 319,764</u>	<u>\$ 768,791</u>	<u>\$ 1,088,555</u>
Net Position			
Restricted			
Debt service	\$ -	\$ 1,559	\$ 1,559
Customer deposits	-	29,632	29,632
Ambulance replacement	54,584	-	54,584
Permanently restricted purposes:			
Expendable	1,383	-	1,383
Non-Expendable	24,997	-	24,997
Unrestricted	<u>238,800</u>	<u>737,600</u>	<u>976,400</u>
Total net position	<u>319,764</u>	<u>768,791</u>	<u>1,088,555</u>
	<u>\$ 319,764</u>	<u>\$ 768,791</u>	<u>\$ 1,088,555</u>

City of Hecla
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 199,173	\$ 6,667	\$ 2,241	\$ -	\$ (190,265)	\$ -	\$ (190,265)
Public safety	25	-	-	-	(25)	-	(25)
Public works	125,359	33,723	29,958	-	(61,678)	-	(61,678)
Health and welfare	11,049	330	-	-	(10,719)	-	(10,719)
Culture and recreation	16,306	6,720	-	9,451	(135)	-	(135)
Total governmental activities	<u>351,912</u>	<u>47,440</u>	<u>32,199</u>	<u>9,451</u>	<u>(262,822)</u>	<u>-</u>	<u>(262,822)</u>
Business-type activities							
Liquor	852,744	896,599	-	-	-	43,855	43,855
Water	89,843	115,983	-	-	-	26,140	26,140
Electric	450,293	411,612	-	-	-	(38,681)	(38,681)
Sewer	81,647	98,596	19,749	-	-	36,698	36,698
Total business-type activities	<u>1,474,527</u>	<u>1,522,790</u>	<u>19,749</u>	<u>-</u>	<u>-</u>	<u>68,012</u>	<u>68,012</u>
Total primary government	<u>\$ 1,826,439</u>	<u>\$ 1,570,230</u>	<u>\$ 51,948</u>	<u>\$ 9,451</u>	<u>(262,822)</u>	<u>68,012</u>	<u>(194,810)</u>
General Revenues							
Taxes							
Property taxes					131,162	-	131,162
Sales taxes					60,354	-	60,354
State shared revenues					4,678	-	4,678
Unrestricted investment earnings					1,030	2,027	3,057
Miscellaneous revenue					17,247	-	17,247
Transfers					3,662	(3,662)	-
Total general revenues and transfers					<u>218,133</u>	<u>(1,635)</u>	<u>216,498</u>
Change in Net Position					(44,689)	66,377	21,688
Net Position - Beginning					<u>319,764</u>	<u>768,791</u>	<u>1,088,555</u>
Net Position - Ending					<u>\$ 275,075</u>	<u>\$ 835,168</u>	<u>\$ 1,110,243</u>

See Notes to Financial Statements

City of Hecla
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 148,886	\$ 6,603	\$ 1,925	\$ -	\$ (140,358)	\$ -	\$ (140,358)
Public safety	394	-	387	-	(7)	-	(7)
Public works	105,769	32,628	29,958	-	(43,183)	-	(43,183)
Health and welfare	9,963	-	-	-	(9,963)	-	(9,963)
Culture and recreation	12,258	4,229	-	6,199	(1,830)	-	(1,830)
Total governmental activities	<u>277,270</u>	<u>43,460</u>	<u>32,270</u>	<u>6,199</u>	<u>(195,341)</u>	<u>-</u>	<u>(195,341)</u>
Business-type activities							
Liquor	790,411	871,024	1,444	-	-	82,057	82,057
Water	124,408	122,717	-	-	-	(1,691)	(1,691)
Electric	358,883	362,702	757	-	-	4,576	4,576
Sewer	57,669	55,628	19,313	-	-	17,272	17,272
Total business-type activities	<u>1,331,371</u>	<u>1,412,071</u>	<u>21,514</u>	<u>-</u>	<u>-</u>	<u>102,214</u>	<u>102,214</u>
Total primary government	<u>\$ 1,608,641</u>	<u>\$ 1,455,531</u>	<u>\$ 53,784</u>	<u>\$ 6,199</u>	<u>(195,341)</u>	<u>102,214</u>	<u>(93,127)</u>
General Revenues							
Taxes							
Property taxes					130,870	-	130,870
Sales taxes					46,392	-	46,392
State shared revenues							
Unrestricted investment earnings					115	284	399
Miscellaneous revenue							
Sale of municipal property					6,495	-	6,495
Total general revenues					<u>188,416</u>	<u>284</u>	<u>188,700</u>
Change in Net Position					(6,925)	102,498	95,573
Net Position - Beginning					326,689	666,293	992,982
Net Position - Ending					<u>\$ 319,764</u>	<u>\$ 768,791</u>	<u>\$ 1,088,555</u>

See Notes to Financial Statements

City of Hecla
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2022

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 173,094	\$ -	\$ -	\$ 173,094
Investments	20,264	-	-	20,264
Restricted cash and cash equivalents	1,385	-	-	1,385
Restricted investments	-	55,099	25,233	80,332
Total assets	\$ 194,743	\$ 55,099	\$ 25,233	\$ 275,075
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 25,233	\$ 25,233
Restricted	1,385	55,099	-	56,484
Unassigned	193,358	-	-	193,358
Total fund balance	194,743	55,099	25,233	275,075
	\$ 194,743	\$ 55,099	\$ 25,233	\$ 275,075

City of Hecla
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2021

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 218,725	\$ -	\$ -	\$ 218,725
Investments	20,075	-	-	20,075
Restricted cash and cash equivalents	1,383	-	-	1,383
Restricted investments	-	54,584	24,997	79,581
	<u>-</u>	<u>54,584</u>	<u>24,997</u>	<u>79,581</u>
Total assets	<u>\$ 240,183</u>	<u>\$ 54,584</u>	<u>\$ 24,997</u>	<u>\$ 319,764</u>
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 24,997	\$ 24,997
Restricted	1,383	54,584	-	55,967
Unassigned	238,800	-	-	238,800
	<u>240,183</u>	<u>54,584</u>	<u>24,997</u>	<u>319,764</u>
Total fund balance	<u>\$ 240,183</u>	<u>\$ 54,584</u>	<u>\$ 24,997</u>	<u>\$ 319,764</u>

City of Hecla

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2022

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Revenues				
310 Taxes				
311 General property taxes	\$ 130,710	\$ -	\$ -	\$ 130,710
313 General sales and use taxes	60,354	-	-	60,354
319 Penalties and interest on delinquent taxes	452	-	-	452
Total taxes	<u>191,516</u>	<u>-</u>	<u>-</u>	<u>191,516</u>
320 Licenses and permits	<u>1,444</u>	<u>-</u>	<u>-</u>	<u>1,444</u>
330 Intergovernmental revenue				
334 State grants	2,241	-	-	2,241
335 State shared revenue				
335.01 Bank franchise tax	3,326	-	-	3,326
335.02 Motor vehicle commercial prorata	1,514	-	-	1,514
335.03 Liquor tax reversion	1,352	-	-	1,352
335.04 Motor vehicle licenses (5%)	9,417	-	-	9,417
335.08 Local government highway and bridge fund	17,584	-	-	17,584
338 County shared revenue				
338.01 County road tax (25%)	206	-	-	206
338.03 County wheel tax	437	-	-	437
338.99 Other	800	-	-	800
Total intergovernmental revenue	<u>36,877</u>	<u>-</u>	<u>-</u>	<u>36,877</u>
340 Charges for goods and services				
344 Sanitation	32,673	-	-	32,673
346 Culture and recreation	6,720	-	-	6,720
347 Ambulance	330	-	-	330
348 Cemetery	1,050	-	-	1,050
Total charges for goods and services	<u>40,773</u>	<u>-</u>	<u>-</u>	<u>40,773</u>
360 Miscellaneous revenue				
361 Investment earnings	279	515	236	1,030
362 Rentals	5,141	-	-	5,141
367 Contributions and donations from private sources	9,451	-	-	9,451
368 Liquor operating agreement income	82	-	-	82
369 Other	17,247	-	-	17,247
Total miscellaneous revenue	<u>32,200</u>	<u>515</u>	<u>236</u>	<u>32,951</u>
Total revenues	<u>302,810</u>	<u>515</u>	<u>236</u>	<u>303,561</u>

City of Hecla

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2022

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Expenditures				
410 General government				
411 Legislative	24,489	-	-	24,489
413 Elections	805	-	-	805
414 Financial administration	93,396	-	-	93,396
419 Other	80,483	-	-	80,483
Total general government	<u>199,173</u>	<u>-</u>	<u>-</u>	<u>199,173</u>
420 Public safety				
429 Other	25	-	-	25
Total public safety	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
430 Public works				
431 Highways and streets	71,867	-	-	71,867
432 Sanitation	37,387	-	-	37,387
437 Cemeteries	16,105	-	-	16,105
Total public works	<u>125,359</u>	<u>-</u>	<u>-</u>	<u>125,359</u>
440 Health and welfare				
441 Health	4,037	-	-	4,037
446 Ambulance	7,012	-	-	7,012
Total health and welfare	<u>11,049</u>	<u>-</u>	<u>-</u>	<u>11,049</u>
450 Culture and recreation				
452 Parks	16,306	-	-	16,306
Total culture and recreation	<u>16,306</u>	<u>-</u>	<u>-</u>	<u>16,306</u>
Total expenditures	<u>351,912</u>	<u>-</u>	<u>-</u>	<u>351,912</u>
Other Financing Sources				
391.01 Transfers in	3,662	-	-	3,662
Total other financing sources	<u>3,662</u>	<u>-</u>	<u>-</u>	<u>3,662</u>
Net Change in Fund Balance	(45,440)	515	236	(44,689)
Fund Balance - Beginning	240,183	54,584	24,997	319,764
Fund Balance - Ending	<u>\$ 194,743</u>	<u>\$ 55,099</u>	<u>\$ 25,233</u>	<u>\$ 275,075</u>

City of Hecla

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2021

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Revenues				
310 Taxes				
311 General property taxes	\$ 130,216	\$ -	\$ -	\$ 130,216
313 General sales and use taxes	46,392	-	-	46,392
319 Penalties and interest on delinquent taxes	654	-	-	654
Total taxes	<u>177,262</u>	<u>-</u>	<u>-</u>	<u>177,262</u>
320 Licenses and permits	<u>455</u>	<u>-</u>	<u>-</u>	<u>455</u>
330 Intergovernmental revenue				
331 Federal grants	387	-	-	387
334 State grants	1,925	-	-	1,925
335 State shared revenue				
335.01 Bank franchise tax	1,928	-	-	1,928
335.02 Motor vehicle commercial prorata	1,508	-	-	1,508
335.03 Liquor tax reversion	1,598	-	-	1,598
335.04 Motor vehicle licenses (5%)	9,559	-	-	9,559
335.08 Local government highway and bridge fund	17,444	-	-	17,444
338 County shared revenue				
338.01 County road tax (25%)	206	-	-	206
338.03 County wheel tax	441	-	-	441
338.99 Other	800	-	-	800
Total intergovernmental revenue	<u>35,796</u>	<u>-</u>	<u>-</u>	<u>35,796</u>
340 Charges for goods and services				
344 Sanitation	31,728	-	-	31,728
346 Culture and recreation	4,229	-	-	4,229
348 Cemetery	900	-	-	900
Total charges for goods and services	<u>36,857</u>	<u>-</u>	<u>-</u>	<u>36,857</u>
360 Miscellaneous revenue				
361 Investment earnings	106	5	4	115
362 Rentals	5,969	-	-	5,969
367 Contributions and donations from private sources	6,199	-	-	6,199
368 Liquor operating agreement income	179	-	-	179
369 Other	6,495	-	-	6,495
Total miscellaneous revenue	<u>18,948</u>	<u>5</u>	<u>4</u>	<u>18,957</u>
Total revenues	<u>269,318</u>	<u>5</u>	<u>4</u>	<u>269,327</u>

City of Hecla
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2021

	General Fund	Ambulance Fund	Other Gov't Fund Cemetery Fund	Total Governmental Funds
Expenditures				
410 General government				
411 Legislative	18,339	-	-	18,339
414 Financial administration	80,491	-	-	80,491
419 Other	50,056	-	-	50,056
Total general government	148,886	-	-	148,886
420 Public safety				
429 Other	394	-	-	394
Total public safety	394	-	-	394
430 Public works				
431 Highways and streets	59,013	-	-	59,013
432 Sanitation	34,240	-	-	34,240
437 Cemeteries	12,516	-	-	12,516
Total public works	105,769	-	-	105,769
440 Health and welfare				
441 Health	2,772	-	-	2,772
446 Ambulance	7,191	-	-	7,191
Total health and welfare	9,963	-	-	9,963
450 Culture and recreation				
452 Parks	12,258	-	-	12,258
Total culture and recreation	12,258	-	-	12,258
Total expenditures	277,270	-	-	277,270
Other Financing Sources				
391.03 Sale of municipal property	1,018	-	-	1,018
Total other financing sources	1,018	-	-	1,018
Net Change in Fund Balance	(6,934)	5	4	(6,925)
Fund Balance - Beginning	247,117	54,579	24,993	326,689
Fund Balance - Ending	\$ 240,183	\$ 54,584	\$ 24,997	\$ 319,764

City of Hecla
Balance Sheet – Modified Cash Basis – Proprietary Funds
December 31, 2022

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Current Assets					
Cash and cash equivalents	\$ 310,642	\$ 67,677	\$ 178,967	\$ 81,080	\$ 638,366
Restricted cash and cash equivalents	-	5,567	5,306	1,559	12,432
Investments	-	5,725	154,246	2,572	162,543
Restricted investments	-	8,967	12,860	-	21,827
Total current assets	<u>310,642</u>	<u>87,936</u>	<u>351,379</u>	<u>85,211</u>	<u>835,168</u>
Total assets	<u>\$ 310,642</u>	<u>\$ 87,936</u>	<u>\$ 351,379</u>	<u>\$ 85,211</u>	<u>\$ 835,168</u>
Net Position					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 1,559	\$ 1,559
Customer deposits	-	14,534	18,166	-	32,700
Unrestricted	<u>310,642</u>	<u>73,402</u>	<u>333,213</u>	<u>83,652</u>	<u>800,909</u>
Total net position	<u>310,642</u>	<u>87,936</u>	<u>351,379</u>	<u>85,211</u>	<u>835,168</u>
	<u>\$ 310,642</u>	<u>\$ 87,936</u>	<u>\$ 351,379</u>	<u>\$ 85,211</u>	<u>\$ 835,168</u>

City of Hecla
Balance Sheet – Modified Cash Basis – Proprietary Funds
December 31, 2021

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Current Assets					
Cash and cash equivalents	\$ 266,649	\$ 42,598	\$ 219,324	\$ 48,007	\$ 576,578
Restricted cash and cash equivalents	-	3,345	4,664	1,559	9,568
Investments	-	5,671	152,803	2,548	161,022
Restricted investments	-	8,883	12,740	-	21,623
Total current assets	266,649	60,497	389,531	52,114	768,791
Total assets	\$ 266,649	\$ 60,497	\$ 389,531	\$ 52,114	\$ 768,791
Net Position					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 1,559	\$ 1,559
Customer deposits	-	12,228	17,404	-	29,632
Unrestricted	266,649	48,269	372,127	50,555	737,600
Total net position	266,649	60,497	389,531	52,114	768,791
	\$ 266,649	\$ 60,497	\$ 389,531	\$ 52,114	\$ 768,791

Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2022

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Operating Revenue					
380 Charges for goods and services	\$ 493,224	\$ 115,983	\$ 410,294	\$ 98,596	\$ 1,118,097
380.5 Lottery sales	398,160	-	-	-	398,160
369 Miscellaneous	5,215	-	1,318	-	6,533
Total operating revenue	<u>896,599</u>	<u>115,983</u>	<u>411,612</u>	<u>98,596</u>	<u>1,522,790</u>
Operating Expenses					
410 Personal services	165,187	12,346	173,070	14,080	364,683
420 Other current expense	78,576	18,117	67,536	55,596	219,825
426.2 Materials	608,981	17,488	195,059	3,234	824,762
430 Capital assets	-	41,892	14,628	2,500	59,020
Total operating expenses	<u>852,744</u>	<u>89,843</u>	<u>450,293</u>	<u>75,410</u>	<u>1,468,290</u>
Operating Income (Loss)	<u>43,855</u>	<u>26,140</u>	<u>(38,681)</u>	<u>23,186</u>	<u>54,500</u>
Nonoperating Revenue (Expense)					
330 Operating grants	-	-	-	19,749	19,749
361 Investment earnings	138	168	1,660	61	2,027
441 Debt service (principal)	-	-	-	(4,643)	(4,643)
442 Debt service (interest)	-	-	-	(1,594)	(1,594)
Total nonoperating revenue (expense)	<u>138</u>	<u>168</u>	<u>1,660</u>	<u>13,573</u>	<u>15,539</u>
Income (Loss) Before Transfers					
391 Transfers in	-	10,587	9,456	-	20,043
511 Transfers out	-	(9,456)	(10,587)	(3,662)	(23,705)
Change in Net Position	43,993	27,439	(38,152)	33,097	66,377
Net Position - Beginning	<u>266,649</u>	<u>60,497</u>	<u>389,531</u>	<u>52,114</u>	<u>768,791</u>
Net Position - Ending	<u>\$ 310,642</u>	<u>\$ 87,936</u>	<u>\$ 351,379</u>	<u>\$ 85,211</u>	<u>\$ 835,168</u>

Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Operating Revenue					
380 Charges for goods and services	\$ 429,085	\$ 122,717	\$ 362,702	\$ 55,034	\$ 969,538
380.5 Lottery sales	441,841	-	-	-	441,841
369 Miscellaneous	98	-	-	594	692
Total operating revenue	<u>871,024</u>	<u>122,717</u>	<u>362,702</u>	<u>55,628</u>	<u>1,412,071</u>
Operating Expenses					
410 Personal services	129,471	14,265	153,868	13,128	310,732
420 Other current expense	66,731	24,750	52,987	30,042	174,510
426.2 Materials	594,209	39,903	149,528	8,262	791,902
430 Capital assets	-	45,490	2,500	-	47,990
Total operating expenses	<u>790,411</u>	<u>124,408</u>	<u>358,883</u>	<u>51,432</u>	<u>1,325,134</u>
Operating Income (Loss)	<u>80,613</u>	<u>(1,691)</u>	<u>3,819</u>	<u>4,196</u>	<u>86,937</u>
Nonoperating Revenue (Expense)					
330 Operating grants	1,444	-	757	19,313	21,514
361 Investment earnings	106	19	142	17	284
441 Debt service (principal)	-	-	-	(4,507)	(4,507)
442 Debt service (interest)	-	-	-	(1,730)	(1,730)
Total nonoperating revenue (expense)	<u>1,550</u>	<u>19</u>	<u>899</u>	<u>13,093</u>	<u>15,561</u>
Income (Loss) Before Transfers					
391 Transfers in	-	13,661	-	12,517	26,178
511 Transfers out	-	-	(26,178)	-	(26,178)
Change in Net Position	<u>82,163</u>	<u>11,989</u>	<u>(21,460)</u>	<u>29,806</u>	<u>102,498</u>
Net Position - Beginning	<u>184,486</u>	<u>48,508</u>	<u>410,991</u>	<u>22,308</u>	<u>666,293</u>
Net Position - Ending	<u>\$ 266,649</u>	<u>\$ 60,497</u>	<u>\$ 389,531</u>	<u>\$ 52,114</u>	<u>\$ 768,791</u>

City of Hecla
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2022

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Cash Flows from (used for) Operating Activities					
Receipts from customers	\$ 896,599	\$ 115,983	\$ 411,612	\$ 98,596	\$ 1,522,790
Payments to suppliers	(687,557)	(35,605)	(262,595)	(58,830)	(1,044,587)
Payments to employees	(165,187)	(12,346)	(173,070)	(14,080)	(364,683)
Net Cash from (used for) Operating Activities	<u>43,855</u>	<u>68,032</u>	<u>(24,053)</u>	<u>25,686</u>	<u>113,520</u>
Cash Flows from (used for) Noncapital Financing Activities					
Operating grants	-	-	-	19,749	19,749
Net transfers from (to) other funds	-	1,131	(1,131)	(3,662)	(3,662)
Net Cash from (used for) Noncapital Financing Activities	<u>-</u>	<u>1,131</u>	<u>(1,131)</u>	<u>16,087</u>	<u>16,087</u>
Cash Flows used for Capital and Related Financing Activities					
Principal and interest payments on long-term debt	-	-	-	(6,237)	(6,237)
Purchase of capital assets	-	(41,892)	(14,628)	(2,500)	(59,020)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(41,892)</u>	<u>(14,628)</u>	<u>(8,737)</u>	<u>(65,257)</u>
Net Cash from Investing Activities					
Interest earnings	138	30	97	37	302
Net Cash from Investing Activities	<u>138</u>	<u>30</u>	<u>97</u>	<u>37</u>	<u>302</u>
Net Change in Cash and Cash Equivalents	43,993	27,301	(39,715)	33,073	64,652
Cash and Cash Equivalents - Beginning	<u>266,649</u>	<u>45,943</u>	<u>223,988</u>	<u>49,566</u>	<u>586,146</u>
Cash and Cash Equivalents - Ending	<u>\$ 310,642</u>	<u>\$ 73,244</u>	<u>\$ 184,273</u>	<u>\$ 82,639</u>	<u>\$ 650,798</u>
Cash and Cash Equivalents consist of:					
Cash and cash equivalents	\$ 310,642	\$ 67,677	\$ 178,967	\$ 81,080	\$ 638,366
Restricted cash and cash equivalents	-	5,567	5,306	1,559	12,432
	<u>\$ 310,642</u>	<u>\$ 73,244</u>	<u>\$ 184,273</u>	<u>\$ 82,639</u>	<u>\$ 650,798</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities					
Operating income (loss)	\$ 43,855	\$ 26,140	\$ (38,681)	\$ 23,186	\$ 54,500
Adjustment to reconcile operating income (loss) to net cash from (used for) operating activities:					
Purchase of capital assets	-	41,892	14,628	2,500	59,020
Net Cash from (used for) Operating Activities	<u>\$ 43,855</u>	<u>\$ 68,032</u>	<u>\$ (24,053)</u>	<u>\$ 25,686</u>	<u>\$ 113,520</u>

City of Hecla
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds				Totals
	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	
Cash Flows from (used for) Operating Activities					
Receipts from customers	\$ 871,024	\$ 122,717	\$ 362,702	\$ 55,628	\$ 1,412,071
Payments to suppliers	(660,940)	(64,653)	(202,515)	(38,304)	(966,412)
Payments to employees	(129,471)	(14,265)	(153,868)	(13,128)	(310,732)
Net Cash from Operating Activities	<u>80,613</u>	<u>43,799</u>	<u>6,319</u>	<u>4,196</u>	<u>134,927</u>
Cash Flows from (used for) Noncapital Financing Activities					
Operating grants	1,444	-	757	19,313	21,514
Net transfers (to) from other funds	-	13,661	(26,178)	12,517	-
Net Cash from (used for) Noncapital Financing Activities	<u>1,444</u>	<u>13,661</u>	<u>(25,421)</u>	<u>31,830</u>	<u>21,514</u>
Net Cash used for Capital and Related Financing Activities					
Principal and interest payments on long-term debt	-	-	-	(6,237)	(6,237)
Purchase of capital assets	-	(45,490)	(2,500)	-	(47,990)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(45,490)</u>	<u>(2,500)</u>	<u>(6,237)</u>	<u>(54,227)</u>
Net Cash from Investing Activities					
Interest earnings	106	19	125	17	267
Net Cash from Investing Activities	<u>106</u>	<u>19</u>	<u>125</u>	<u>17</u>	<u>267</u>
Net Change in Cash and Cash Equivalents	82,163	11,989	(21,477)	29,806	102,481
Cash and Cash Equivalents - Beginning	184,486	33,954	245,465	19,760	483,665
Cash and Cash Equivalents - Ending	<u>\$ 266,649</u>	<u>\$ 45,943</u>	<u>\$ 223,988</u>	<u>\$ 49,566</u>	<u>\$ 586,146</u>
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 266,649	\$ 42,598	\$ 219,324	\$ 48,007	\$ 576,578
Restricted cash and cash equivalents	-	3,345	4,664	1,559	9,568
	<u>\$ 266,649</u>	<u>\$ 45,943</u>	<u>\$ 223,988</u>	<u>\$ 49,566</u>	<u>\$ 586,146</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities					
Operating income (loss)	\$ 80,613	\$ (1,691)	\$ 3,819	\$ 4,196	\$ 86,937
Adjustment to reconcile operating income (loss) to net cash from (used for) operating activities:					
Purchase of capital assets	-	45,490	2,500	-	47,990
Net Cash from Operating Activities	<u>\$ 80,613</u>	<u>\$ 43,799</u>	<u>\$ 6,319</u>	<u>\$ 4,196</u>	<u>\$ 134,927</u>

Note 1 - Summary of Significant Accounting Policies

As discussed further in Note 1C., the financial statements are presented in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

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

The reporting entity is comprised of the primary government, the City of Hecla.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City. Based upon the application of these criteria, the City does not have any component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statements of activities display information about the City as a whole within the limitations of the modified cash basis of accounting. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statements of activities present 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 City 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. The City presently has no fiduciary funds. 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% 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% 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.

The funds of the City are described below:

Governmental Funds

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

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

- **Ambulance Fund** – This fund is used to account for the collection of funds for the ambulance service. This is a major fund.
- **Cemetery Fund** – This fund is used to account for the payments received for the Cemetery to maintain and care for the Cemetery. This is not a major fund.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- **Liquor Fund** – Financed primarily by user charges, this fund accounts for the operations of the City bar. (South Dakota Codified Laws (SDCL) 35-3-21) This is a major fund.
- **Water Fund** – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (South Dakota Codified Laws (SDCL) 9-47-1) This is a major fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, and administrative expenses, including capital assets specific to the systems that deliver the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide statement of net position and statements of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is applied within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report, in the statements of net position or balance sheets, cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such report balances include restricted cash and cash equivalents, investments in certificates of deposit (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash accounts at cost, and interfund advances and borrowing arising from the use of a pooled cash account.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

D. Deposits and Investments

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

Investments classified in the financial statements consist of those type of investment authorized by SDCL 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

E. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

- The City did not have any interfund receivables and payables that needed to be eliminated as of December 31, 2022 and 2021.
- The City did not have internal service fund activity which required elimination as of December 31, 2022 and 2021.

F. Capital Assets

Under the modified cash basis of accounting, capital assets are expensed when the cash transaction occurs.

G. Long-Term Liabilities

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

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

H. Program Revenues

In the government-wide statements of activities, reported program revenues derive directly from the program itself or from parties other than the City’s taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for Services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided or are, otherwise, directly affected by the services.

2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

I. Proprietary Funds Revenue and Expense Classifications

In the proprietary funds' statements 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 statements of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

J. Cash and Cash Equivalents

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

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and is comprised of three components: net investment in capital assets, restricted net position and unrestricted net position. Because capital assets are not reported by the City under the modified cash basis of accounting, only the following components are displayed:

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

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

L. Application of Net Position and Fund Balance

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

M. Fund Balance Classification Policies and Procedures

The following classifications describe the relative strength of the spending constraints, as applicable, within the fund balance sheets:

- Nonspendable Fund Balance – Amounts that are not in spendable form or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Note 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 authorized to do business in South Dakota.

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2022 and 2021, the City maintained their deposits in in-state financial institutions which were properly collateralized.

The actual bank balances at December 31, 2022 and 2021, are as follows:

	2022 Bank Balance	2021 Bank Balance
Insured (FDIC/NCUA)	\$ 272,439	\$ 272,425
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	588,002	565,122
	\$ 860,441	\$ 837,547

The City's carrying amount of deposits at December 31, 2022 and 2021, are as follows:

	2022	2021
Cash and cash equivalents	\$ 811,460	\$ 795,303
Restricted cash and cash equivalents	13,817	10,951
	\$ 825,277	\$ 806,254

Investments

In general, SDCL 4-5-6 permits the City's 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 (c) 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.

As of December 31, 2022 and 2021, the City's investments consisted entirely of amounts invested in the South Dakota Public Investment Trust (SDFIT) government cash reserves fund which is unrated. The SDFIT is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT government cash reserve account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

Note 3 - Restricted Cash and Investments

Assets restricted to use for a specific purpose through segregation of balances are as follows at December 31, 2022 and 2021, respectively:

- \$55,099 and \$54,584 for ambulance replacement.
- \$1,385 and \$1,383 for cemetery maintenance – spendable.
- \$25,233 and \$24,997 for cemetery maintenance – nonspendable.
- \$14,534 and \$12,228 for water customer deposits.
- \$18,166 and \$17,404 for electric customer deposits.
- \$1,559 and \$1,559 for sewer debt service.

Note 4 - Property Taxes

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

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

Note 5 - Restricted Net Position

Restricted net position for the years ended December 31, 2022 and 2021, was as follows:

Fund	Restricted By	2022	2021
Cemetery Fund	Statute	\$ -	\$ -
Ambulance Fund	Statute	55,099	54,584
General Fund	Statute	1,385	1,383
Water Fund	Contractual	14,534	12,228
Electric Fund	Contractual	18,166	17,404
Sewer Fund	Contractual	1,559	1,559

Note 6 - Retirement Plan

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, hybrid defined-benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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 <https://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 retirement benefits that do not meet the above criteria may be payable at a reduced level. Eligible spouses of Class A and B Foundation members will receive a 60 percent 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 enacted the current COLA process. At each valuation date:

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

- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.0% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions

Per SDCL 3-12, 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% of salary; Class B judicial members, 9% of salary; and Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ended December 31, 2022, 2021, and 2020, was \$17,107, \$17,843, and \$13,540, respectively, equal to the required contributions each year.

Pension Plan Fiduciary Net Position

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

Note 7 - Significant Contingencies

Litigation

At December 31, 2022, the City was not involved in any litigation that would be material to the financial statements.

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2022 and 2021, the City managed its risks as follows:

Employee Health Insurance

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members 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 an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience-to-date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, automobile liability, and official's liability.

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

The City carries varying deductibles for the coverage specified above.

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

Workers' Compensation

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of workers' 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 workers' compensation claims. The City pays an annual premium to provide workers' 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 Fund pays the first \$650,000 of any claim per individual. The Fund has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits

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

Note 9 - Interfund Transactions

During 2022, the Electric Fund transferred a net \$1,131 to the Water Fund, and the Sewer Fund transferred \$3,662 to the General Fund to supplement indispensable fund operations. During 2021, the Electric Fund transferred \$13,661 to the Water Fund and \$12,517 to the Sewer Fund to supplement indispensable fund operations.

Note 10 - Subsequent Events

In January of 2024, the City was awarded a \$818,000 Clean Water SRF Loan from the South Dakota Board of Water and Natural Resources for a future sewer project. As of the date of these financials statements, no significant related commitments for the project have been entered into.



Supplementary Information
December 31, 2022 and 2021
City of Hecla

City of Hecla
 Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions
 December 31, 2022 and 2021

Schedule of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2022	0.0124%	\$ (1,176)	\$ 297,129	-0.4%	100.10%
SDRS	6/30/2021	0.0116%	(88,583)	262,505	-33.7%	105.52%
SDRS	6/30/2020	0.0107%	(467)	228,560	-0.2%	100.04%
SDRS	6/30/2019	0.0100%	(1,063)	219,681	-0.48%	100.09%
SDRS	6/30/2018	0.0076%	(177)	158,061	-0.11%	100.02%
SDRS	6/30/2017	0.0079%	(714)	159,623	-0.45%	100.10%
SDRS	6/30/2016	0.0078%	26,411	147,534	17.90%	96.89%
SDRS	6/30/2015	0.0083%	(35,272)	151,839	-23.23%	104.10%

Schedule of Pension Contributions

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2022	\$ 17,107	\$ 17,107	\$ -	\$ 284,911	6.0%
SDRS	12/31/2021	17,843	17,843	-	297,377	6.0%
SDRS	12/31/2020	13,540	13,540	-	225,671	6.0%
SDRS	12/31/2019	13,735	13,735	-	228,916	6.0%
SDRS	12/31/2018	11,607	11,607	-	193,588	6.0%
SDRS	12/31/2017	9,508	9,508	-	158,464	6.0%
SDRS	12/31/2016	8,827	8,827	-	146,844	6.0%
SDRS	12/31/2015	9,180	9,180	-	152,996	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Hecla
Schedule of Changes in Long-Term Debt
Years Ended December 31, 2022 and 2021

<u>Indebtedness</u>	<u>Long-Term Debt 1/1/22</u>	<u>Add New Debt</u>	<u>Less Principal Forgiveness</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/22</u>
Enterprise Long-Term Debt Revenue bonds (sewer)	54,860	-	-	4,643	50,217
	<u>\$ 54,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643</u>	<u>\$ 50,217</u>
<u>Indebtedness</u>	<u>Long-Term Debt 1/1/21</u>	<u>Add New Debt</u>	<u>Less Principal Forgiveness</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/21</u>
Enterprise Long-Term Debt Revenue bonds (sewer)	59,367	-	-	4,507	54,860
	<u>\$ 59,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,507</u>	<u>\$ 54,860</u>

City of Hecla
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 132,778	\$ 132,778	\$ 130,710	\$ (2,068)
313 General sales and use taxes	45,700	45,700	60,354	14,654
318 Tax deed revenue	500	500	-	(500)
319 Penalties and interest on delinquent taxes	500	500	452	(48)
Total taxes	<u>179,478</u>	<u>179,478</u>	<u>191,516</u>	<u>12,038</u>
320 Licenses and permits	<u>1,085</u>	<u>1,085</u>	<u>1,444</u>	<u>359</u>
330 Intergovernmental revenue				
334 State grants	-	-	2,241	2,241
335 State shared revenue:				
335.01 Bank franchise tax	1,800	1,800	3,326	1,526
335.02 Motor vehicle commercial prorata	1,400	1,400	1,514	114
335.03 Liquor tax reversion	1,600	1,600	1,352	(248)
335.04 Motor vehicle licenses (5%)	9,500	9,500	9,417	(83)
335.08 Local government highway and bridge fund	17,000	17,000	17,584	584
338 County shared revenue				
338.01 County road tax (25%)	206	206	206	-
338.03 County wheel tax	400	400	437	37
338.99 Other	800	800	800	-
Total intergovernmental revenue	<u>32,706</u>	<u>32,706</u>	<u>36,877</u>	<u>4,171</u>
340 Charges for goods and services				
344 Sanitation	29,000	29,000	32,673	3,673
346 Culture and recreation	4,900	4,900	6,720	1,820
347 Ambulance	-	-	330	330
348 Cemetery	-	-	1,050	1,050
Total charges for goods and services	<u>33,900</u>	<u>33,900</u>	<u>40,773</u>	<u>6,873</u>
360 Miscellaneous revenue				
361 Investment earnings	105	105	279	174
362 Rentals	3,150	3,150	5,141	1,991
367 Contributions and donations from private sources	2,800	7,390	9,451	2,061
368 Liquor operating agreement income	200	200	82	(118)
369 Other	11,400	11,400	17,247	5,847
Total miscellaneous revenue	<u>17,655</u>	<u>22,245</u>	<u>32,200</u>	<u>9,955</u>
Total revenues	<u>264,824</u>	<u>269,414</u>	<u>302,810</u>	<u>33,396</u>

City of Hecla
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	20,081	24,581	24,489	92
411.5 Contingency	10,000	10,000	-	
Amount transferred	-	(400)	-	9,600
413 Elections	575	975	805	170
414 Financial administration	81,626	94,626	93,396	1,230
419 Other	44,945	83,445	80,483	2,962
Total general government	<u>157,227</u>	<u>213,227</u>	<u>199,173</u>	<u>14,054</u>
420 Public safety				
429 Other	535	535	25	510
Total public safety	<u>535</u>	<u>535</u>	<u>25</u>	<u>510</u>
430 Public works				
431 Highways and streets	81,795	84,795	71,867	12,928
432 Sanitation	35,075	38,075	37,387	688
437 Cemeteries	18,625	18,625	16,105	2,520
Total public works	<u>135,495</u>	<u>141,495</u>	<u>125,359</u>	<u>16,136</u>
440 Health and welfare				
441 Health	3,525	4,125	4,037	88
446 Ambulance	6,525	7,025	7,012	13
Total health and welfare	<u>10,050</u>	<u>11,150</u>	<u>11,049</u>	<u>101</u>
450 Culture and recreation				
452 Parks	19,130	19,130	16,306	2,824
455 Libraries	800	800	-	800
Total culture and recreation	<u>19,930</u>	<u>19,930</u>	<u>16,306</u>	<u>3,624</u>
Total expenditures	<u>323,237</u>	<u>386,337</u>	<u>351,912</u>	<u>34,425</u>
Other Financing Sources				
391.01 Transfers in	30,400	30,400	3,662	(26,738)
Total other financing sources	<u>30,400</u>	<u>30,400</u>	<u>3,662</u>	<u>(26,738)</u>
Excess of Revenue over (under) Expenditures	(28,013)	(86,523)	(45,440)	41,083
Fund Balance - Beginning	240,183	240,183	240,183	-
Fund Balance - Ending	<u>\$ 212,170</u>	<u>\$ 153,660</u>	<u>\$ 194,743</u>	<u>\$ 41,083</u>

City of Hecla
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 131,170	\$ 131,170	\$ 130,216	\$ (954)
313 General sales and use taxes	46,825	46,825	46,392	(433)
315 Amusement Taxes	75	75	-	(75)
318 Tax deed revenue	500	500	-	(500)
319 Penalties and interest on delinquent taxes	500	500	654	154
Total taxes	<u>179,070</u>	<u>179,070</u>	<u>177,262</u>	<u>(1,808)</u>
320 Licenses and permits	<u>850</u>	<u>850</u>	<u>455</u>	<u>(395)</u>
330 Intergovernmental revenue				
331 Federal grants	-	-	387	387
334 State grants	-	-	1,925	1,925
335 State shared revenue				
335.01 Bank franchise tax	1,600	1,600	1,928	328
335.02 Motor vehicle commercial prorata	1,500	1,500	1,508	8
335.03 Liquor tax reversion	1,600	1,600	1,598	(2)
335.04 Motor vehicle licenses (5%)	9,500	9,500	9,559	59
335.08 Local government highway and bridge fund	18,000	18,000	17,444	(556)
338 County shared revenue				
338.01 County road tax (25%)	225	225	206	(19)
338.03 County wheel tax	500	500	441	(59)
338.99 Other	800	800	800	-
Total intergovernmental revenue	<u>33,725</u>	<u>33,725</u>	<u>35,796</u>	<u>2,071</u>
340 Charges for goods and services				
344 Sanitation	31,000	31,000	31,728	728
346 Culture and recreation	4,000	4,000	4,229	229
347 Ambulance	500	500	-	(500)
348 Cemetery	-	-	900	900
Total charges for goods and services	<u>35,500</u>	<u>35,500</u>	<u>36,857</u>	<u>1,357</u>
360 Miscellaneous revenue				
361 Investment earnings	175	175	106	(69)
362 Rentals	3,400	3,400	5,969	2,569
367 Contributions and donations from private sources	2,800	2,800	6,199	3,399
368 Liquor operating agreement income	400	400	179	(221)
369 Other	10,400	10,400	6,495	(3,905)
Total miscellaneous revenue	<u>17,175</u>	<u>17,175</u>	<u>18,948</u>	<u>1,773</u>
Total revenues	<u>266,320</u>	<u>266,320</u>	<u>269,318</u>	<u>2,998</u>

City of Hecla
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	17,600	18,600	18,339	261
411.5 Contingency	10,000	10,000		
Amount transferred	-	(4,500)	-	5,500
413 Election	450	450	-	450
414 Financial administration	76,980	80,980	80,491	489
419 Other	38,600	61,100	50,056	11,044
Total general government	<u>143,630</u>	<u>166,630</u>	<u>148,886</u>	<u>17,744</u>
420 Public safety				
429 Other	525	525	394	131
Total public safety	<u>525</u>	<u>525</u>	<u>394</u>	<u>131</u>
430 Public works				
431 Highways and streets	68,150	68,150	59,013	9,137
432 Sanitation	36,050	39,050	34,240	4,810
437 Cemeteries	14,400	14,400	12,516	1,884
Total public works	<u>118,600</u>	<u>121,600</u>	<u>105,769</u>	<u>15,831</u>
440 Health and welfare				
441 Health	6,950	6,950	2,772	4,178
446 Ambulance	5,625	7,625	7,191	434
Total health and welfare	<u>12,575</u>	<u>14,575</u>	<u>9,963</u>	<u>4,612</u>
450 Culture and recreation				
452 Parks	15,180	15,180	12,258	2,922
455 Libraries	850	850	-	850
Total culture and recreation	<u>16,030</u>	<u>16,030</u>	<u>12,258</u>	<u>3,772</u>
Total expenditures	<u>291,360</u>	<u>319,360</u>	<u>277,270</u>	<u>42,090</u>
Other Financing Sources				
391.01 Transfers in	20,300	20,300	-	(20,300)
391.03 Sale of municipal property	-	-	1,018	1,018
Total other financing sources	<u>20,300</u>	<u>20,300</u>	<u>1,018</u>	<u>(19,282)</u>
Excess of Revenue over (under) Expenditures	(4,740)	(32,740)	(6,934)	25,806
Fund Balance - Beginning	<u>247,117</u>	<u>247,117</u>	<u>247,117</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 242,377</u>	<u>\$ 214,377</u>	<u>\$ 240,183</u>	<u>\$ 25,806</u>

City of Hecla
 Budgetary Comparison Schedule – Ambulance Fund
 Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
360 Miscellaneous revenue	\$ 10	\$ 10	\$ 515	\$ 505
361 Investment earnings				
Total miscellaneous revenue	<u>10</u>	<u>10</u>	<u>515</u>	<u>505</u>
Total revenues	<u>10</u>	<u>10</u>	<u>515</u>	<u>505</u>
Excess of Revenue over (under) Expenditures	10	10	515	505
Fund Balance - Beginning	<u>54,584</u>	<u>54,584</u>	<u>54,584</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 54,594</u>	<u>\$ 54,594</u>	<u>\$ 55,099</u>	<u>\$ 505</u>

City of Hecla
 Budgetary Comparison Schedule – Ambulance Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
360 Miscellaneous revenue				
361 Investment earnings	\$ 250	\$ 250	\$ 5	\$ (245)
Total miscellaneous revenue	250	250	5	(245)
Total revenues	250	250	5	(245)
Excess of Revenue over (under) Expenditures	250	250	5	(245)
Fund Balance - Beginning	54,579	54,579	54,579	-
Fund Balance - Ending	\$ 54,829	\$ 54,829	\$ 54,584	\$ (245)

Note 1 - Budgets and Budgetary Accounting

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at December 31, 2022 and 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and any major special revenue funds are adopted on a basis consistent with a modified cash basis of accounting.

Note 2 - Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements presented on the modified cash basis of accounting and budgetary basis of accounting are reporting capital outlay expenditures under the function to which they relate.

Note 3 - Schedule of Proportionate Share of the Net Pension Liability (Asset) and Pension Contributions

Changes from Prior Valuation

The June 30, 2022, actuarial valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, actuarial valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation. The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 legislative session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

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

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

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

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, actuarial valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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



**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***

The City Council
City of Hecla
Hecla, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hecla (the City) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2024. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 the 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying accompanying schedule of findings as items 2021/2022-001 and 2021/2022-002 to be material weaknesses.

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 of Hecla'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
June 20, 2024

2022-001 and 2021-001 Auditor Preparation of Financial Statements and Footnotes, Audit Adjustments and Passed Adjustments

Material Weakness

Criteria: The City of Hecla's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with the modified cash basis of accounting.

Condition: The City's requested the external auditors to prepare the financial statements and related notes to the financial statements. As a part of the financial statement preparation process, we proposed audit adjustments that were not identified as a result of the City's existing internal controls and, therefore, could result in a material misstatement of the City's financial statements if not recorded. Additionally, as a part of our audit procedures, we identified certain misstatements, not material but more than trivial, that were passed on by management for correction in the financial statements.

Cause: The City does not have adequate staff trained to prepare financial statements and the related footnotes and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The need for proposed audit adjustments indicates that the City's interim financial information might not be materially correct, which may affect management decisions made during the course of the year.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit to ensure that the modified cash basis of accounting has been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

2022-002 and 2021-002 Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City of Hecla has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Cause: The City has an insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk of fraud or errors that might occur in the financial reporting process and not be detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the City Council exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.