

CITY OF HILL CITY  
HILL CITY, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2023  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

CITY OF HILL CITY  
HILL CITY, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2023

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
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Governing Board  
City of Hill City  
Hill City, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Financial Statement Audit:*

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the City of Hill City (City), Pennington County, South Dakota, as of December 31, 2023 and for the year then ended, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

### *Opinions:*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund of the City of Hill City, Pennington County, South Dakota as of December 31, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

### *Basis for Opinions:*

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

### *Responsibilities of Management for the Financial Statements:*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting 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 misstatements, 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 of Hill 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 Responsibility for the Audit of the Financial Statements:*

My 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 my 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 generally accepted auditing standards will 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 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*, I:

- > 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 of Hill 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hill City's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*Other Matters - Basis of Accounting:*

I draw attention to note 1c of these financial statements, which describes the basis of accounting. These 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. My opinion is not modified with respect to this matter.

*Supplementary Information (no opinion):*

Accounting principles generally accepted in the United States of America allow for the Management's Discussion and Analysis (page 4 to 9), the budgetary comparison schedules (page 33 to 36), and the pension schedules (page 37 to 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is allowed by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information (opinion):*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Hill City's financial statements.

The schedule of changes in long-term liabilities (page 32) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

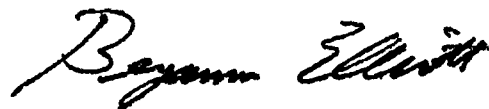
In my opinion, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2025 (page 39) on my consideration of City Hill City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my 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 of Hill 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 of Hill City's internal control over financial reporting and compliance.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

January 27, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Hill City's (City) financial report presents our discussion and analysis of the City's financial performance during the year ending December 31, 2023 within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2023
Receipts:	
Charges for goods and services	772,050
Operating grants	824
Capital grants	0
General receipts	3,263,923
	-----
Total	4,036,797
	-----
Disbursements:	
Governmental	1,932,937
Business-type	616,906
	-----
Total	2,549,843
	-----
Increase (decrease) in Net Position	1,486,954
Net Position:	
December 31, 2022, adjusted	4,603,044
	-----
December 31, 2023	6,089,998
	=====
Governmental Funds:	
General	3,840,122
3rd Cent	396,755
Business Improvement District	57,561
Debt service	0
Bridge	31,824
Business-Type Funds:	
Water	915,212
Sewer	848,524
	-----
Total	6,089,998
	=====

During 2023, the City:

- \* Received property taxes of \$709,637.
- \* Received sales taxes of \$1,592,373.
- \* Received occupancy taxes of \$100,740.
- \* Received a legal settlement of \$500,000.
- \* Made street improvements of \$55,464
- \* Purchased library books for \$6,564.
- \* Paid down the City's general obligation bond by \$176,000.
- \* Paid down the general fund's advance to the BID fund by \$80,000.

## BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9), (2) the basic financial statements (page 10 to 31) and (3) other supplementary information (page 32 to 38). The basic financial statements include two types of statements that present the City from two different financial points of view.

### Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

### Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The governmental funds operated by the City during 2023 were the general fund, 3rd cent fund, business improvement district fund, debt service fund and the bridge fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City during 2023 were the water and sewer funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or custodian for the benefit of those groups to whom these funds belong. In 2023 the City had no fiduciary funds.

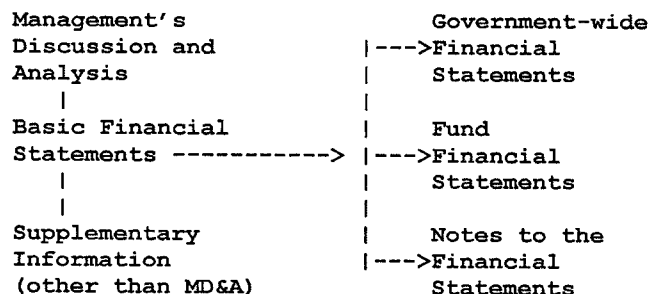
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue funds and also pension schedules.

### Supplementary Information:

This Management's Discussion and Analysis (page 4 to 9), the Budgetary Comparison Schedules (page 33 to 36), and the Pension Schedules (page 37 and 38) are financial information allowed to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

The schedule of changes in liabilities (page 32) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide	Fund Statements	
	Statements	Governmental Funds	Enterprise Funds
Scope	Entire City (including component units if any)	City activities except enterprise (general fund)	Activities operated like a private business (water and sewer)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
Required Financial Statements	Statement of Activities	Statement of Receipts Disbursements and Changes in Fund Balances	Statement of Receipts, Disbursements and Changes in Net Position
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash No liabilities	Only cash No liabilities	Only cash No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

#### BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the City's modified cash basis of accounting, revenues, expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

#### GOVERNMENT-WIDE STATEMENTS (Reporting the City as a whole)

The government-wide statements (page 10 and 11) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of the City's receipts and disbursements for each year.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificate of deposit and money market accounts. The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity. The governmental activities include basic services such care of streets, police protection, parks and recreation. Property taxes, sales taxes, grants and interest earnings finance most of these activities.



The business-type activities account for the City's water and sewer activities. These services are funded by user fees. Bond proceeds and federal and state grants help pay for capital improvements to the water and sewer systems.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 12 to 16) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose like a construction project.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that help you determine whether there is more or fewer cash resources available for spending in the near future to finance the City's programs.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water and sewer funds are the only enterprise funds maintained by the City.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

For the One Year Ending December 31, 2023

(Material changes for governmental activities = changes greater than \$200,000)

(Material changes for business-type activities = changes greater than \$100,000)

== 2023 ==	Increase (Decrease)	Reason
Governmental Activities:		
Cash	1,142,167	Excess cash receipts over disbursements.
Legal settlement	400,000	One time settlement
Economic development	(1,326,306)	Community center improvements completed.
Business-type Activities:		
Cash	227,069	Excess cash receipts over disbursements.
Legal settlement	100,000	One time settlement

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2023 the City adopted a general fund budget of \$2,036,185 which is an increase of \$317,196 or 18.46% from 2022. There were no supplemental appropriations in 2023. See page 33 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. See also page 32 for more information.

#### CURRENTLY KNOWN FACTS

In 2023 the City submitted a \$49,920 application for an 80/20 Bridge Improvement Grant (BIG).

The City is getting a 100% replacement grant for the Museum Drive Bridge. There is \$31,824 available now in the bridge fund for this work, but the project is not expected to be completed until 2026.

In November 2023 the City hired an engineering firm to do a wastewater system facility evaluation for \$54,000, to do a flood risk and mitigation study for \$167,800 and to get on the State water plan.

In January 2024 the City increased its water and sewer improvement fee by 25 cents per 1,000 gallons. Also, the City increased its bulk water fee from 2 cents to 4 cents per gallon.

In September 2024 the City awarded a Sunset Creek Road resurfacing project for \$384,572.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Hill City's finance office at P.O. Box 395, Hill City, SD 57745 or telephone us at (605) 574-2300.

CITY OF HILL CITY  
 TABLE 1 - NET POSITION  
 MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE STATEMENT OF POSITION  
 AS OF DECEMBER 31, 2023, 2022, and 2021

	Governmental Activities			Business-Type Activities			Total Government		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Cash assets:									
Cash	24,150	32,116	23,873	1,333	2,180	2,393	25,483	34,296	26,266
Money Market	4,084,535	2,941,039	3,383,536	1,436,723	1,212,814	1,052,430	5,521,258	4,153,853	4,435,966
Certif. of deposit	217,577	210,940	210,519	325,680	321,673	319,125	543,257	532,613	529,644
<b>Total</b>	<b>4,326,262</b>	<b>3,184,095</b>	<b>3,617,928</b>	<b>1,763,736</b>	<b>1,536,667</b>	<b>1,373,948</b>	<b>6,089,998</b>	<b>4,720,762</b>	<b>4,991,876</b>
Net position:									
Restricted	492,930	401,413	817,594	46,597	44,349	41,351	539,527	445,762	858,945
Unrestricted	3,833,332	2,782,682	2,800,334	1,717,139	1,492,318	1,332,597	5,550,471	4,275,000	4,132,931
<b>Total</b>	<b>4,326,262</b>	<b>3,184,095</b>	<b>3,617,928</b>	<b>1,763,736</b>	<b>1,536,667</b>	<b>1,373,948</b>	<b>6,089,998</b>	<b>4,720,762</b>	<b>4,991,876</b>

TABLE 2 - CHANGES IN NET POSITION  
 MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE THREE YEARS ENDING DECEMBER 31, 2023

	Governmental Activities			Business-Type Activities			Total Government		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Receipts:									
Program receipts:									
Charges for services	92,024	60,615	101,242	680,026	708,997	757,766	772,050	769,612	859,008
Operating grants	824	95,359	199,183				824	95,359	199,183
Capital grants		7,775	630,881				0	7,775	630,881
General receipts:									
Property taxes	709,637	619,860	577,721				709,637	619,860	577,721
Sales taxes	1,592,373	1,559,435	1,602,519				1,592,373	1,559,435	1,602,519
Occupancy tax	100,740	110,076	129,300				100,740	110,076	129,300
Other taxes			12				0	0	12
State sources	38,444	37,599	35,905				38,444	37,599	35,905
County sources	30,623	29,732	29,379				30,623	29,732	29,379
Interest received	76,638	9,485	754	63,949	11,566	2,321	140,587	21,051	3,075
Rent and franchise fees	39,840	70,984	81,371				39,840	70,984	81,371
Donations	5,012	219	80,000				5,012	219	80,000
Legal settlement	400,000			100,000			500,000	0	0
Principal on BID advance	80,000						80,000	0	0
Miscellaneous	26,667	20,260	5,609				26,667	20,260	5,609
<b>Total receipts</b>	<b>3,192,822</b>	<b>2,621,399</b>	<b>3,473,876</b>	<b>843,975</b>	<b>720,563</b>	<b>760,087</b>	<b>4,036,797</b>	<b>3,341,962</b>	<b>4,233,963</b>
Disbursements:									
General government	450,635	468,603	492,136				450,635	468,603	492,136
Public safety	240,708	211,225	209,649				240,708	211,225	209,649
Public works	290,886	303,918	944,679				290,886	303,918	944,679
Health and welfare	20,000		30,000				20,000	0	30,000
Culture/recreation	341,501	317,926	252,032				341,501	317,926	252,032
Economic development	229,598	1,555,904	769,026				229,598	1,555,904	769,026
Liquor agreement	2,400	2,100	2,025				2,400	2,100	2,025
Debt service	357,209	195,556	195,924				357,209	195,556	195,924
Water				196,814	222,321	230,582	196,814	222,321	230,582
Sewer				420,092	335,523	458,888	420,092	335,523	458,888
<b>Total disbursements</b>	<b>1,932,937</b>	<b>3,055,232</b>	<b>2,895,471</b>	<b>616,906</b>	<b>557,844</b>	<b>689,470</b>	<b>2,549,843</b>	<b>3,613,076</b>	<b>3,584,941</b>
Net position increase (decrease) before transfers	1,259,885	-433,833	578,405	227,069	162,719	70,617	1,486,954	-271,114	649,022
Other financing sources (uses):									
Sale of surplus property			26,242				0	0	26,242
<b>Change in net position</b>	<b>1,259,885</b>	<b>-433,833</b>	<b>604,647</b>	<b>227,069</b>	<b>162,719</b>	<b>70,617</b>	<b>1,486,954</b>	<b>-271,114</b>	<b>675,264</b>
Net position:									
December 31, 2020			3,013,281			1,303,331			4,316,612
December 31, 2021		3,617,928	3,617,928		1,373,948	1,373,948		4,991,876	4,991,876
December 31, 2022	3,184,095	3,184,095		1,536,667	1,536,667		4,720,762	4,720,762	
Adjustment	-117,718						-117,718		
<b>December 31, 2023</b>	<b>4,326,262</b>			<b>1,763,736</b>			<b>6,089,998</b>		

CITY OF HILL CITY

STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2023

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	Total
<b>Assets:</b>			
Petty cash	500		500
Checking	16,860	1,333	18,193
Checking - library	6,790		6,790
Money market	4,084,535	1,436,723	5,521,258
Certificates of deposit	217,577	325,680	543,257
	-----	-----	-----
<b>Total assets</b>	<b>4,326,262</b>	<b>1,763,736</b>	<b>6,089,998</b>
	=====	=====	=====
<b>Net Position:</b>			
Restricted for:			
Library	6,790		6,790
3rd cent uses	396,755		396,755
Business Improvement Distr	57,561		57,561
Bridge	31,824		31,824
Meter deposits		46,597	46,597
Unrestricted	3,833,332	1,717,139	5,550,471
	-----	-----	-----
<b>Total net position</b>	<b>4,326,262</b>	<b>1,763,736</b>	<b>6,089,998</b>
	=====	=====	=====

See accompanying notes.

CITY OF HILL CITY  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2023

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
General government	450,635	38,767			-411,868		-411,868
Public safety	240,708				-240,708		-240,708
Public works	290,886	16,350			-274,536		-274,536
Health and welfare	20,000		824		-19,176		-19,176
Culture and recreation	341,501	4,507			-336,994		-336,994
Economic development	229,598				-229,598		-229,598
Liquor agreements	2,400	32,400			30,000		30,000
Debt service	357,209				-357,209		-357,209
<b>Total governmental activities</b>	<b>1,932,937</b>	<b>92,024</b>	<b>824</b>	<b>0</b>	<b>-1,840,089</b>	<b>0</b>	<b>-1,840,089</b>
<i>Business-type activities:</i>							
Water	196,814	311,373				114,559	114,559
Sewer	420,092	368,653				-51,439	-51,439
<b>Total business-type activities</b>	<b>616,906</b>	<b>680,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,120</b>	<b>63,120</b>
<b>Total primary government</b>	<b>2,549,843</b>	<b>772,050</b>	<b>824</b>	<b>0</b>	<b>-1,840,089</b>	<b>63,120</b>	<b>-1,776,969</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					709,637		709,637
Sales taxes					1,592,373		1,592,373
Occupancy tax					100,740		100,740
State shared receipts					38,444		38,444
County shared receipts					30,623		30,623
Interest received					76,638	63,949	140,587
Rent and franchise fees					39,840		39,840
Donations					5,012		5,012
Legal settlement					400,000	100,000	500,000
Principal received on BID advance					80,000		80,000
Miscellaneous					26,667		26,667
Transfers					0		0
<b>Total general receipts</b>					<b>3,099,974</b>	<b>163,949</b>	<b>3,263,923</b>
<b>Change in net position</b>					<b>1,259,885</b>	<b>227,069</b>	<b>1,486,954</b>
<b>Net position:</b>							
January 1, 2023					3,184,095	1,536,667	4,720,762
Prior period adjustment (note 14)					-117,718		-117,718
January 1, 2023, adjusted					3,066,377	1,536,667	4,603,044
December 31, 2023					4,326,262	1,763,736	6,089,998

See accompanying notes.

CITY OF HILL CITY

BALANCE SHEET -- MODIFIED CASH BASIS  
 ALL GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2023

	General Fund	3rd Cent Fund	Business Improvement District Fund	Debt Service Fund	Bridge Fund	Total
<b>ASSETS:</b>						
Petty cash	500					500
Checking	16,860					16,860
Checking - library	6,790					6,790
Money market	3,598,395	396,755	57,561	0	31,824	4,084,535
Certificates of deposits	217,577					217,577
<b>Total assets</b>	<b>3,840,122</b>	<b>396,755</b>	<b>57,561</b>	<b>0</b>	<b>31,824</b>	<b>4,326,262</b>
<b>FUND BALANCES:</b>						
Nonspendable						0
Restricted	6,790	396,755	57,561	0	31,824	492,930
Committed	333,679					333,679
Assigned	1,052,700					1,052,700
Unassigned	2,446,953					2,446,953
<b>Total fund balances</b>	<b>3,840,122</b>	<b>396,755</b>	<b>57,561</b>	<b>0</b>	<b>31,824</b>	<b>4,326,262**</b>

\*\* Equals net position on  
 statement of net position

See accompanying notes.

CITY OF HILL CITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2023

	General Fund	3rd Cent Fund	Business Improvement District Fund	Debt Service Fund	Bridge Fund	Total
<b>Receipts:</b>						
<b>Local sources:</b>						
Taxes:						
Ad valorem taxes	709,637					709,637
General sales and use taxes	1,301,922	290,451				1,592,373
Occupancy tax			100,740			100,740
Licenses and permits:	38,756					38,756
Intergovernmental:						
State shared revenue:						
Grant: Mosquito	824					824
Bank franchise tax	7,937					7,937
Motor vehicles - commercial						0
Liquor tax reversion	5,994					5,994
Motor vehicle licenses (5%)	15,955					15,955
Highway and bridge	8,558					8,558
County shared revenue: library	30,623					30,623
Charges for goods and services:						
General government	3,290					3,290
Cemetery	16,350					16,350
Library	4,507					4,507
Fines:	11					11
Miscellaneous:						
Interest received	76,638					76,638
Rents and franchise fees	39,840					39,840
Donations	5,012					5,012
Liquor operating agreement	32,400					32,400
Principal received on BID advance	80,000					80,000
Other	23,377					23,377
<b>Total receipts</b>	<b>2,401,631</b>	<b>290,451</b>	<b>100,740</b>	<b>0</b>	<b>0</b>	<b>2,792,822</b>
<b>Disbursements:</b>						
<b>Current:</b>						
General government:						
Mayor and Council	60,672					60,672
City administration	7,755					7,755
Elections						0
Financial administration	204,381					204,381
Planning Commission	6,378					6,378
Other	171,449					171,449
Public safety:						
Police	143,017					143,017
Fire	942					942
Inspection services	96,749					96,749
Public works:						
Streets	193,658					193,658
Cemetery	41,764					41,764
Health and welfare:						
Ambulance	20,000					20,000
Culture and recreation:						
Recreation	89,819					89,819
Parks	95,068					95,068
Library	150,050					150,050
Conservation and development:						
Economic development	20,000	205,646	3,952			229,598
Debt service:						
Principal	-6,719		80,000	176,000		249,281
Interest	78,844		10,000	19,084		107,928
Miscellaneous:						
Liquor operating agreement	2,400					2,400
Capital outlay	62,028					62,028
<b>Total disbursements</b>	<b>1,438,255</b>	<b>205,646</b>	<b>93,952</b>	<b>195,084</b>	<b>0</b>	<b>1,932,937</b>
<b>Excess of receipts over (under) disbursements</b>	<b>963,376</b>	<b>84,805</b>	<b>6,788</b>	<b>-195,084</b>	<b>0</b>	<b>859,885</b>
<b>Other financing sources (uses):</b>						
Transfer in				195,084		195,084
Transfer (out)	-195,084					-195,084
Legal settlement	400,000					400,000
<b>Net change in fund balance</b>	<b>1,168,292</b>	<b>84,805</b>	<b>6,788</b>	<b>0</b>	<b>0</b>	<b>1,259,885**</b>
<b>Fund balance:</b>						
January 1, 2023	2,789,548	311,950	50,773	0	31,824	3,184,095
Prior period adjustments (note 14)	-117,718					-117,718
January 1, 2023, adjustments	2,671,830	311,950	50,773	0	31,824	3,066,377
December 31, 2023	3,840,122	396,755	57,561	0	31,824	4,326,262

\*\* Equals change in net position on  
Statement of Activities  
See accompanying notes.

CITY OF HILL CITY

STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2023

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
Assets:			
Current assets:			
Checking	1,231	102	1,333
Money market	913,981	522,742	1,436,723
Certificates of deposit		325,680	325,680
	-----	-----	-----
Total assets	915,212	848,524	1,763,736
	=====	=====	=====
 Net Position:			
Restricted:			
Meter deposits	38,076	8,521	46,597
Unrestricted	877,136	840,003	1,717,139
	-----	-----	-----
Total net position	915,212	848,524	1,763,736
	=====	=====	=====

See accompanying notes.



CITY OF HILL CITY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE ONE YEAR ENDING DECEMBER 31, 2023

	Water Fund -----	Sewer Fund -----	Total -----
Operating receipts:			
Charges for goods and services	311,373	468,653	780,026
	-----	-----	-----
Total operating receipts	311,373	468,653	780,026
	-----	-----	-----
Operating disbursements:			
Personal services	122,223	258,169	380,392
Other current services	73,519	157,239	230,758
Capital purchases	1,072	4,684	5,756
	-----	-----	-----
Total operating disbursements	196,814	420,092	616,906
	-----	-----	-----
Excess operating receipts (disbursements)	114,559	48,561	163,120
Nonoperating receipts (disbursements):			
Interest received	29,971	33,978	63,949
	-----	-----	-----
Total nonoperating receipts (disbursements)	29,971	33,978	63,949
	-----	-----	-----
Transfers - none			0
	-----	-----	-----
Change in net position	144,530	82,539	227,069
	-----	-----	-----
Net position:			
January 1, 2023	770,682	765,985	1,536,667
	-----	-----	-----
December 31, 2023	915,212	848,524	1,763,736
	=====	=====	=====

See accompanying notes.

CITY OF HILL CITY

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS

ENTERPRISE FUNDS

FOR THE ONE YEAR ENDING DECEMBER 31, 2023

	Water Fund -----	Sewer Fund -----	Total -----
Cash flows from:			
Operating activities:			
Receipts from customers	311,373	468,653	780,026
Payments to employees	-122,223	-258,169	-380,392
Payments to suppliers	-73,519	-157,239	-230,758
Payments for capital items	-1,072	-4,684	-5,756
Net cash provided (used) by operating activities	----- 114,559	----- 48,561	----- 163,120
Noncapital financing activities:			
None			0
Capital financing activities:			
None			0
Investing activities:			
Interest received	29,971	33,978	63,949
Purchase certificates of deposit		-4,007	-4,007
Net increase (decrease) in cash and cash equivalents	----- 144,530	----- 78,532	----- 223,062
Cash:			
January 1, 2023	770,682	444,312	1,214,994
December 31, 2023	----- 915,212 =====	----- 522,844 =====	----- 1,438,056 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	114,559	48,561	163,120
Net cash provided (used) by operating activities	----- 114,559 =====	----- 48,561 =====	----- 163,120 =====
Noncash investing, capital and financing activities: None			

See accompanying notes.

CITY OF HILL CITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Hill City's (City) Governing Board.

The City's officials at December 31, 2023 are:

Mayor:	City Administrator:
Mike Verchio	Brett McMacken
Alderspersons:	Finance Officer
Dale Householder, President	Stacia Tallon
Jason Gillaspie	
Lori Miner	Attorney:
Ethan Walker	Katelyn Cook

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:  
Primary Government: - City of Hill City  
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Hill City consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) 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.

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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Hill City does not have any component units.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). 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 good and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

*Governmental Funds*

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always 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:

3rd Cent Sales Tax Fund - A fund allowed by SDCL 10-52-8 to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including promotion and advertising of the City. The 3rd cent sales tax fund is a major fund.

Business Improvement District Fund - A fund allowed by SDCL 9-55 to account for the collection of a \$2.00 per night lodging establishment occupancy tax for the purpose of improving Hill City's business district. The business improvement district fund is a major fund.

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

Debt Service Fund - A fund allowed by SDCL 11-9-24 to account for the proceeds of property taxes, restricted to the payment of principal and interest on the City's 2015 general obligation bond. The debt service fund is a major fund.

Capital Project Funds - capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds for individuals, private organizations, or other governments). The City has the following capital project fund:

Museum Drive Bridge Fund - the City received a maximum grant of \$31,824 from the State of South Dakota to improve this bridge. The Museum Drive Bridge fund is a major fund.

#### Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Hill City. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Hill City. The sewer fund is a major fund.

#### Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Hill City has no fiduciary funds.

#### 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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement

focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than United States generally accepted accounting principals (US-GAAP). Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds and the "economic resources" measurement focus is used for enterprise funds, both applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The City's certificates of deposit have a maturity of more than three months when purchased and are not considered a cash equivalent.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

*Government-wide financial Statements:*

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

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

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Net Position - Restricted".

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash 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 cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the City Council or Finance Officer.
- \* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Hill City December 31, 2023 fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Library	Statute	6,790
	3rd Cent	Statute	396,755
	Business Imp. Dist.	Statute	57,561
	Debt service	Covenant	0
	Bridge	Contract	31,824
Committed	Street improvements	Ordinance	333,679
Assigned	Emergencies when	Resolution	750,000
	declared by the		
	Common Council		
Unassigned	Parks	Finance officer	302,700
	General		2,446,953
			-----
			4,326,262

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/ contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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 cash balance policy.

The purpose of each special revenue fund is given on page 19 above and the revenue source is:

Special Revenue Fund:	Revenue Source: (see page 13)
* 3rd Cent	Sales tax
* Business Improvement District	Occupancy tax

## 2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

### *Budget Overdrafts:*

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. In 2023 the general fund went over its public safety/inspection services budget by \$10,370, its culture/recreation library services budget by \$4,456 and its debt service budget by \$72,125.

These are not considered significant overdraft of departmental expenditures compared to appropriations. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

## 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

Deposits - The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City money 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); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2023 were as follows: Insured \$579,047, Collateralized \*\* \$5,556,223 for a total of \$6,135,271.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits plus \$500 of petty cash at December 31, 2023 was \$6,089,998 held as follows.

First Interstate Bank (Hill City, SD):		
Checking	\$	24,983
Money Market		5,521,258
Black Hills Community Bank (Rapid City, SD):		
Certificates of deposit		543,257
Petty cash		500
		-----
	\$	6,089,998
		=====

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Custodial Deposit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2023 the City's cash deposits in financial institutions were not exposed to custodial deposit risk. The City's deposits are with First Interstate Bank and Black Hills Community Bank.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one institution.

Investment 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.

Investment Custodial Risk - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2023 the City's investments in financial institutions were not exposed to investment custodial risk.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the general fund except for enterprise fund interest.

#### 4. RESTRICTED NET POSITION

The following table shows the December 31, 2023 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Library	Statute	6,790	
3rd cent	Statute	396,755	
Business Improvement Dist.	Statute	57,561	
Bridge	Contract	31,824	
Debt service	Covenant	0	
Water: Meter deposits	Contracts		38,076
Sewer: Meter deposits	Contracts		8,521
		-----	-----
Total Restricted Net Position		492,930	46,597

#### 5. WATER AND SEWER FUNDS CAPITAL IMPROVEMENT BALANCE IN UNRESTRICTED NET POSITION

A City resolution establishes capital improvement rates of \$0.00175 per gallon for water and \$0.001 per gallon for sewer. At December 31, 2023 the water fund's capital improvement balance is determined to be \$421,091, which is included in the water fund's unrestricted net position. At December 31, 2023 the sewer fund's capital improvement balance is determined to be \$239,750, which is included in the sewer fund's unrestricted net position.

#### 6. REFUNDING OF \$2,600,000 GENERAL OBLIGATION BOND - SERIES 2007

On October 1, 2015, the City of Hill City issued \$1,846,000 General Obligation Bonds, Series 2015, with an average interest rate of 2.557686% to refund General Obligation Bonds, Series 2007 dated June 4, 2007 with an average remaining interest rate of 4.525% and unpaid principal of \$1,935,000 at October 1, 2015. The final maturity of the Series 2015 bonds is December 15, 2026. However, the "Term Certificate Maturing in 2026" [R2 for the years 2021 to 2026] may be redeemed on or after December 15, 2021 at option of the City. The City refunded this debt to reduce total debt service over the next 11 years by \$225,076 and to obtain an economic gain of \$177,989.

The Series 2015 bonds are paid by a debt service fund with a transfer from the general fund.

#### 7. GENERAL FUND LOAN OF \$500,000 TO BUSINESS IMPROVEMENT DISTRICT FUND TRANSFERS BETWEEN FUNDS

On December 13, 2021 the Hill City Common Council agreed to have the General Fund loan the Business Improvement District (BID) Fund \$500,000 at 2.0% to be repaid with an annual payment of \$90,000 per year for a term of 6 years. Because this is a cash basis financial statement, this transaction is referred to as a transfer between funds. In October 2023 the BID Fund made its first payment of \$80,000 principal and \$10,000 to the General Fund.

In 2023 the general fund transferred \$195,084 to the debt service fund for a Series 2015 bond payment.

#### 8. PENSION PLAN

##### Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

##### Plan Information:

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. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or 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 percent joint survivor benefit when the member dies.

Members that were hired on or 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 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 equal to or greater 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 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 .05 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, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2023, 2022 and 2021 were \$48,155, \$37,792, and \$35,611 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2023 SDRS is 100.1% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023 and reported by the City as of December 31, 2023 are as follows:

Proportionate share of total pension liability	\$ 4,089,563
Less: Proportionate share of net position restricted for pension benefits	(4,092,318)
	-----
Proportionate share of net pension (asset)/liability	\$ (2,755)
	=====

The net pension (asset) was measured as of June 30, 2023 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .00028222 which is an increase of .0000315 over its proportion measured as of June 30, 2022.

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%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	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: Pub T-2010  
Other Class A Members: Pub G-2010  
Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:  
Pub T-2010, 108% of rates above age 65

Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table  
Others: Pub G-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 of July 1, 2016 to June 30, 2022.

Investments

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 (ie: 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 weighting 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	-----	
	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those 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)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.50%, 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% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$564,595	\$(2,755)	\$(466,738)

Pension Plan Fiduciary Net Position:

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

## 9. PROPERTY TAX

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. The levy attaches 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.

## 10. LITIGATION

At December 31, 2023 the City is a party to litigation. However, as discussed in the risk management note below, the City has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Any potential litigation liability is not expected to have a material effect on the City's financial statements.

## 11. INSURANCE

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 one year ending December 31, 2023 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 policy has a maximum per year out-of-pocket deductible of \$2,000 for a single person and \$4,000 for a family.

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

### Property and 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-based 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, auto liability, auto damage, property, and equipment breakdown insurance.

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 expense whether reported or unreported at the time of their departure from 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 does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Worker's Compensation:

The City joined the South Dakota Municipal League 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 worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to 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 has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the one year ending December 31, 2023 the City did not make any unemployment insurance payments. It cannot be determined if unemployment benefits will be paid in 2024.

#### 12. TAX INCREMENT FINANCE DISTRICTS (TIFs)

TIF #1 (Sunset Creek) with original authorized expenditures of \$406,500 was paid-off in 2015.

TIF #2 (Bull Run) has eligible project cost of \$2,000,000 paid by the developer, which includes \$1,221,000 of TIF improvement cost. The TIF improvement cost will be repaid to the developer from an incremental increase in property taxes. See page 32.

TIF #3 (Ranger Square) has eligible project cost of \$2,350,000 paid by the developer, which includes \$1,525,000 of TIF improvement cost. The TIF improvement cost will be repaid to the developer from an incremental increase in property taxes. TIF #3 Development Agreement was submitted to Hill City Common Council in September 2022 but was not approved by the Council until November 27, 2023 and is not included in the City's Schedule of Changes in Long-Term Liabilities.

#### 13 TAX ABATEMENTS

As of December 31, 2023 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.



#### 14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill or rubble site.

The City does not have any material related party activities.

The City does not offer any "Other Post Employment Benefits".

The 2023 tax levy does not include an opt out.

The government-wide and the general fund prior period adjustment of \$117,718 is due to property tax timing differences received from Pennington County.

In 2023 the City submitted a \$49,920 application for an 80/20 Bridge Improvement Grant (BIG).

The City is getting a 100% replacement grant for the Museum Drive Bridge. There is \$31,824 available now in the bridge fund for this work, but the project is not expected to be completed until 2026.

In November 2023 the City hired an engineering firm to do a wastewater system facility evaluation for \$54,000, to do a flood risk and mitigation study for \$167,800 and to get on the State water plan.

In January 2024 the City increased its water and sewer improvement fee by 25 cents per 1,000 gallons. Also, the City increased its bulk water fee from 2 cents to 4 cents per gallon.

In September 2024 the City awarded a Sunset Creek Road resurfacing project for \$384,572.

CITY OF HILL CITY  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES  
 FOR THE ONE YEAR ENDING DECEMBER 31, 2023

	Beginning 12-31-22	2023 Additions	2023 (Deletions)	Governmental Funds Ending 12-31-23	Enterprise Funds Ending 12-31-23	Principal Payments Due in 2024
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2015 General Obligation Refunding Bond:						
Original advance: \$1,846,000						
Maturing in December 15, 2026						
Fixed interest from 2.40% to 2.60%						
Refunding of 2007 General Obligation Bond						
R2 certificates due between 2021 and 2026 can be prepaid on or after 2021						
Paid by the Debt Service Fund	734,000		-176,000	558,000		181,000
<b>GOVERNMENTAL - OTHER DEBT</b>						
2022 Advance from General to BID Fund:						
Original advance: \$500,000						
Maturing in 2027						
Fixed interest ay 2.00%						
To support BID Fund capital improvements						
To be repaid from BID Fund occupancy tax receipts	500,000		-80,000	420,000		81,600
2020 Developer Advance to TIF #2 (Bull Run):						
Total advance: \$1,221,000						
Repayment from incremental tax revenues received from Pennington County over a period of 20 years and passed through the general to the developer	1,436,834	6,719 Adjustment		1,443,553		21,869
<b>BUSINESS-TYPE - NONE</b>						
Totals	<u>2,670,834</u>	<u>6,719</u>	<u>-256,000</u>	<u>2,421,553</u>	<u>0</u>	<u>284,469</u>

SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES  
 AT DECEMBER 31, 2023

	Total Payment	Principal	Interest	Balance
2015 General Obligation Bond:				
2024	195,508	181,000	14,508	377,000
2025	195,802	186,000	9,802	191,000
2026	195,966	191,000	4,966	0
Totals	<u>587,276</u>	<u>558,000</u>	<u>29,276</u>	

	Total Payment	Principal	Interest	Balance
2022 Advance from General to BID Fund:				
2024	90,000	81,600	8,400	338,400
2025	90,000	83,232	6,768	255,168
2026	90,000	84,897	5,103	170,271
2027	90,000	86,595	3,405	83,676
2028	85,350	83,676	1,674	0
Totals	<u>445,350</u>	<u>420,000</u>	<u>25,350</u>	

2020 Developer Advance to TIF #2 (Bull Run):				
2024	100,968	21,869	79,099	1,421,684
2025	100,968	22,988	77,980	1,398,696
2026	100,968	24,475	76,493	1,374,221
2027	100,968	25,734	75,234	1,348,487
2028	100,968	27,169	73,799	1,321,318
2029-2033	504,838	160,331	344,507	1,160,987
2034-2038	504,838	210,299	294,539	950,688
2039-2043	504,838	275,838	229,000	674,850
2044-2048	504,838	361,803	143,035	313,047
2049-2052	347,986	313,047	34,939	0
Totals	<u>2,872,178</u>	<u>1,443,553</u>	<u>1,428,625</u>	

CITY OF HILL CITY  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2023

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	634,734			634,734	74,903
Sales and use tax	900,000			900,000	401,922
Amusement tax				0	0
Licenses and permits:	32,200			32,200	6,556
Intergovernmental receipts:					
Federal grant - Major Lake bridge				0	0
State shared revenue:					
Grant - Mosquito				0	824
Bank franchise tax	6,000			6,000	1,937
Motor vehicles - commercial	1,000			1,000	-1,000
Liquor tax reversion	6,000			6,000	-6
Motor vehicle licenses (5%)	11,000			11,000	4,955
Highway and bridge	7,600			7,600	958
County shared revenue: library	30,624			30,624	-1
Charges for goods and services:					
General government	125			125	3,165
Cemetery	1,900			1,900	14,450
Library				0	4,507
Fines:				0	11
Miscellaneous receipts:					
Interest received	700			700	75,938
Rent and franchise fees	48,400			48,400	-8,560
Donations				0	5,012
Liquor operating agreement	22,800			22,800	9,600
Principal received on BID advance				0	80,000
Other	27,900			27,900	-4,523
<b>Total receipts</b>	<b>1,730,983</b>	<b>0</b>	<b>0</b>	<b>1,730,983</b>	<b>670,648</b>
Disbursements:					
General government:					
Mayor and Council	55,144	10,000		65,144	4,472
Contingency	44,806			44,806	44,806
Amount transferred		-26,104		-26,104	-26,104
City administration	130,119			130,119	122,364
Elections				0	0
Financial administration	222,004	3,454		225,458	21,077
Planning Commission	9,788			9,788	3,410
Other	225,124	11,000		236,124	64,675
Public safety:					
Police	143,017			143,017	0
Fire	2,000			2,000	1,058
Inspection services	86,379			86,379	-10,370
Public works:					
Streets	614,344			614,344	365,222
Cemetery	59,988			59,988	18,224
Health and welfare:					
Ambulance	20,000			20,000	0
Culture and recreation:					
Recreation	103,999	500		104,499	14,680
Parks	146,065			146,065	50,997
Library	151,158	1,000		152,158	-4,456
Conservation and development:					
Economic Development Corp.	20,000			20,000	0
Debt service:					
Liquor operation agreement	2,250	150		2,400	-72,125
<b>Total disbursements</b>	<b>2,036,185</b>	<b>0</b>	<b>0</b>	<b>2,036,185</b>	<b>597,930</b>
Excess of receipts over (under) disbursements	-305,202	0	0	-305,202	1,268,578
Other financing sources (uses):					
Transfer (out)	-195,084			-195,084	0
Legal settlement				0	400,000
Change in fund balance	1,535,899	0	0	-500,286	1,668,578
Fund balance:					
January 1, 2023, adjusted	2,671,830			2,671,830	0
December 31, 2023	<u>4,207,729</u>	<u>0</u>	<u>0</u>	<u>2,171,544</u>	<u>1,668,578</u>

CITY OF HILL CITY

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2023

3RD CENT (PROMOTION)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
General sales and use taxes:	200,000		200,000	290,451	90,451
Miscellaneous:					
Interest received	5,000		5,000	0	-5,000
Total receipts	205,000	0	205,000	290,451	85,451
Disbursements:					
Economic development:					
Promoting the City	205,000	646	205,646	205,646	0
Total disbursements	205,000	646	205,646	205,646	0
Excess of receipts over (under) disbursements	0	-646	-646	84,805	85,451
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	-646	-646	84,805	85,451
Fund balance:					
January 1, 2023	311,950		311,950	311,950	0
December 31, 2023	311,950	-646	311,304	396,755	85,451

CITY OF HILL CITY

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2023

BUSINESS IMPROVEMENT DISTRICT	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Occupancy tax	90,000		90,000	100,740	10,740
Total receipts	90,000	0	90,000	100,740	10,740
Disbursements:					
Economic development	0	3,952	3,952	3,952	0
Debt service:					
Principal	80,000		80,000	80,000	0
Interest	10,000		10,000	10,000	0
Total disbursements	90,000	3,952	93,952	93,952	0
Excess of receipts over (under) disbursements	0	-3,952	-3,952	6,788	10,740
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	-3,952	-3,952	6,788	10,740
Fund balance:					
January 1, 2023	50,773		50,773	50,773	0
December 31, 2023	50,773	-3,952	46,821	57,561	10,740

CITY OF HILL CITY

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL  
REVENUE FUNDS FOR THE ONE YEAR ENDING DECEMBER 31, 2023

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Hill City (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2023 there were supplemental budget. See page 34 and 35.
- e. Formal budgetary integration is employed as a management control device for the general fund, 3rd cent sales tax fund, and business improvement district fund.
- f. Budgets for the general fund, 3rd cent sales tax fund, and business improvement district fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting is on a modified cash basis of accounting from which the budgetary comparison schedules are prepared.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF HILL CITY  
FOR THE TEN YEARS ENDING DECEMBER 31, 2023

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension Liability (Asset)	City's Covered Employee Payroll for SDRS's Fiscal Year End	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0282220%	-2,755	727,950	(00.38%)	100.10%
June 30, 2022	0.0250720%	-2,369	598,683	(00.40%)	100.10%
June 30, 2021	0.0260730%	-199,675	591,683	(33.75%)	105.52%
June 30, 2020	0.0243650%	-1,058	534,733	(00.20%)	100.04%
June 30, 2019	0.0260496%	-2,761	553,867	(00.50%)	100.09%
June 30, 2018	0.0237866%	-555	494,500	(00.12%)	100.02%
June 30, 2017	0.0226401%	-2,055	460,000	(00.45%)	100.10%
June 30, 2016	0.0256832%	86,755	488,367	17.77%	96.89%
June 30, 2015	0.0247638%	-105,030	452,117	(23.23%)	104.10%
June 30, 2014	0.0265725%	-191,444	464,683	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years.

CITY OF HILL CITY  
FOR THE TEN YEARS ENDING DECEMBER 31, 2023

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2023	48,155	48,155	0	802,583	6.00%
December 31, 2022	37,792	37,792	0	629,867	6.00%
December 31, 2021	35,611	35,611	0	593,517	6.00%
December 31, 2020	33,401	33,401	0	556,683	6.00%
December 31, 2019	33,375	33,375	0	556,250	6.00%
December 31, 2018	32,662	32,662	0	544,367	6.00%
December 31, 2017	26,946	26,946	0	449,100	6.00%
December 31, 2016	28,368	28,368	0	472,800	6.00%
December 31, 2015	28,865	28,865	0	481,083	6.00%
December 31, 2014	27,285	27,285	0	454,750	6.00%

Note: This schedule is intended to show information for ten years.

CITY OF HILL CITY  
DECEMBER 31, 2023

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE ONE YEAR ENDING DECEMBER 31, 2023

Changes of Prior Valuation:

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2023 legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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.



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

Governing Board  
City of Hill City  
Hill City, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Hill City (City), Pennington County, South Dakota as of December 31, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Hill City's basic financial statements and have issued my report thereon dated January 27, 2025 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Hill 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Hill City's internal control.

A *deficiency in internal control* exist 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify a deficiency in internal control that I consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses, that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2023-01 to be a significant deficiency.

City of Hill City  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters -- Page Two

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I also noted minor matters involving internal control that I reported to the governing body and management of the City of Hill City in a separate Letter of Comments dated January 27, 2025.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Hill City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

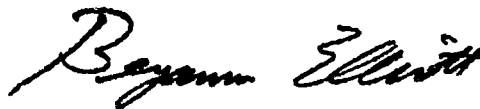
I did note minor matters involving compliance that I reported to the governing body and management of the City of Hill City in a separate Letter of Comments dated January 27, 2025.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



January 27, 2025

CITY OF HILL CITY  
SCHEDULES OF FINDINGS  
DECEMBER 31, 2023

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

The prior audit report was not subject to Single Audit requirements.

Prior Other Audit Findings:

2022-01 [Preparation of Financial Statements] Repeated below as 2023-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Financial Statements

Type of auditor's report issued:

Unmodified on:  
Governmental Activities  
Business-Type Activities  
All Funds

Noncompliance:

None Reported

Internal control over financial reporting:

\* Material weakness(es) identified?

None Reported

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Finding 2023-01

Finding 2023-01: Preparation of Financial Statements  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for preparation of the financial statements.

*Condition:*

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Possible Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendations:*

This situation is not unusual for an entity of this City's 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.

*Response:*

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.