

CITY OF HILL CITY  
HILL CITY, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020  
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

TABLE OF CONTENTS TO THE FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

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FINANCIAL SECTION

1 Independent Auditor's Report

4 Management's Discussion and Analysis (MD&A)  
(Supplementary Information)

Basic Financial Statements: (Modified Cash Basis of Accounting)

Government-Wide Financial Statements:

- 10 Statement of Net Position as of December 31, 2020
- 11 Statement of Activities for the Year Ending December 31, 2020
- 12 Statement of Activities for the Year Ending December 31, 2019

Fund Financial Statements:

Governmental Funds:

- 13 Balance Sheet as of December 31, 2020
- 14 Statement of Receipts, Disbursements, and Changes in Fund Balances  
for the Year Ending December 31, 2020
- 15 Statement of Receipts, Disbursements, and Changes in Fund Balances  
for the Year Ending December 31, 2019

Enterprise Funds:

- 16 Statement of Net Position as of December 31, 2020
- 17 Statement of Receipts, Disbursements, and Changes in Net Position  
for the Year Ending December 31, 2020
- 17 Statement of Receipts, Disbursements, and Changes in Net Position  
for the Year Ending December 31, 2019
- 18 Statement of Cash Flow for the Year Ending December 31, 2020
- 18 Statement of Cash Flow for the Year Ending December 31, 2019

19 Notes to the Financial Statements

SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

33 Schedule of Changes in Long-term Debt

Budgetary Comparison Schedules - Budgetary Basis:

- 34 General Fund - for the Year Ending December 31, 2020
- 35 General Fund - for the Year Ending December 31, 2019
- 36 3rd Cent Fund - for the Year Ending December 31, 2020
- 36 3rd Cent Fund - for the Year Ending December 31, 2019
- 37 Business Improvement District - for the Year Ending December 31, 2020
- 38 Notes to Supplementary Information - Budgets

Pension Schedules:

- 39 Schedule of the City's Proportional Share of Net Pension (Asset)/Liability
- 39 Schedule of the City's Contributions
- 40 Notes to Supplementary Information - Pension

GOVERNMENTAL SECTION

41 Report on Compliance and Other Matters and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

43 Schedule of Prior Audit Findings

43 Schedule of Current Audit Findings and Responses

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  
605.270.3020

Governing Board  
City of Hill City  
Hill City, South Dakota

## INDEPENDENT AUDITOR'S REPORT

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, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1.c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, and each major fund.

### *Unmodified Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, and each major fund of the City of Hill City, South Dakota, as of December 31, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended the year in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

*Emphasis of Matter - Modified Cash Basis of Accounting*

I draw attention to note 1.c 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.

*Other Matters - Other Supplementary Information (No 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 management's discussion and analysis (page 4 to 9), budgetary comparison schedules (page 34 to 38), and the pension schedules (page 39 and 40) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 information 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 this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Matters - Other 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 debt (page 33) 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 debt is the responsibility of management and is derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

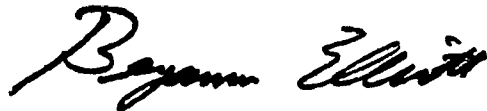
In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report (page 41) dated July 7, 2021 on my tests of City of Hill City's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

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

July 7, 2021

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive, flowing style with a large initial "B" and a stylized "E".

CITY OF HILL CITY  
DECEMBER 31, 2020

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 two years ending December 31, 2020 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	2020	2019
Receipts:		
Charges for goods and services	759,782	736,904
Operating grants	2,900	0
Capital grants	31,824	0
General receipts	1,930,248	1,867,819
Sale of municipal property	4,850	0
	-----	-----
Total	2,729,604	2,604,723
	-----	-----
Disbursements:		
Governmental	2,052,269	1,575,421
Business-type	501,520	595,824
	-----	-----
Total	2,553,789	2,171,245
	-----	-----
Increase in Net Position	175,815	433,478
Net Position:		
December 31, 2018		3,707,319
		-----
December 31, 2019	4,140,797	4,140,797
	-----	=====
December 31, 2020	4,316,612	
	=====	
Governmental Funds:		
General	2,414,459	2,404,568
3rd Cent	299,869	403,455
Business Improvement District	267,129	196,480
Debt service	0	0
Bridge	31,824	NA
Business-Type Funds:		
Water	547,617	435,422
Sewer	755,714	700,872
	-----	-----
Total	4,316,612	4,140,797
	=====	=====

During 2020, the City:

- \* Received property taxes of \$559,360.
- \* Received sales taxes of \$1,179,095.
- \* Received occupancy taxes of \$100,402.
- \* Made street improvements for \$491,878.
- \* Purchased library books and equipment for \$16,293.
- \* Purchased water equipment for \$21,448.
- \* Paid down the City's general obligation bond by \$164,000.

During 2019, the City:

- \* Received property taxes of \$538,570
- \* Received sales taxes of \$1,118,375.
- \* Received occupancy taxes of \$106,148.
- \* Made street improvements for \$57,630.
- \* Purchased library books and equipment for \$14,971.
- \* Purchased water equipment for \$57,550.
- \* Paid down the City's general obligation bond by \$160,000.

## 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 32) and (3) other supplementary information (page 33 to 40). 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 2019 and 2020 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 2019 and 2020 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 agent for the benefit of those groups to whom these funds belong. In 2019 and 2020 the City had no fiduciary funds.

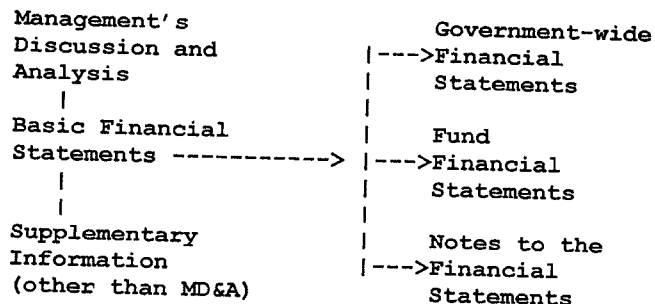
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue funds.

### Supplementary Information:

This Management's Discussion and Analysis (page 4 to 9), the Budgetary Comparison Schedules (page 34 to 38), and the Pension Schedules (page 39 and 40) are financial information required 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 debt (page 33) 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 Statements	-----Fund 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 to 12) 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, 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 13 to 18) 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.

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 Two Years Ending December 31, 2020

(Material changes for governmental activities = changes greater than \$100,000)

(Material changes for business-type activities = changes greater than \$ 50,000)

== 2020 ==	Increase (Decrease)	Reason
Governmental Activities:		
Public works	376,669	Steet improvements and repairs.
Business-type Activities:		
Cash	167,037	Excess cash receipts over disbursements.
Water cost	(118,728)	Water improvements in prior year.
== 2019 ==	Increase (Decrease)	Reason
Governmental Activities:		
Cash	388,614	Excess cash receipts over disbursements.
Business-type Activities:		
Water cost	146,903	Water improvements.
Sewer cost	(55,765)	Sewer improvements in prior year.

#### SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2020 the City adopted a general fund budget of \$1,869,082 which is an increase of \$138,077 or 7.98% from 2019. There were no supplemental appropriations in 2020. See page 34 for more information.

In 2019 the City adopted a general fund budget of \$1,731,005 which is an increase of \$374,120 or 27.57% from 2018. There were no supplemental appropriations in 2019. See page 35 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 33 for more information.

#### CURRENTLY KNOWN FACTS

The 2019 and 2020 tax levies do not include an opt out.

In April 2021 the City purchased a new S76 Bobcat with a trade-in for \$41,224.

In 2021 the City began working on a water reservoir project, new sewer improvements and Major Lake bridge improvements.

In 2021 the City expects to receive some \$120,000 of CARES funding related to police activities.

#### 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, 2020, 2019, and 2018

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Cash assets:									
Cash	20,973	21,265	19,951	2,487	2,505	937	23,460	23,770	20,888
Money Market	2,782,315	2,776,042	2,391,801	982,833	821,423	782,909	3,765,148	3,597,465	3,174,710
Certif. of deposit	209,993	207,196	204,137	318,011	312,366	307,584	528,004	519,562	511,721
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	3,013,281	3,004,503	2,615,889	1,303,331	1,136,294	1,091,430	4,316,612	4,140,797	3,707,319
Net position:									
Restricted	607,232	608,066	525,835	34,574	35,119	33,978	641,806	643,185	559,813
Unrestricted	2,406,049	2,396,437	2,090,054	1,268,757	1,101,175	1,057,452	3,674,806	3,497,612	3,147,506
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	3,013,281	3,004,503	2,615,889	1,303,331	1,136,294	1,091,430	4,316,612	4,140,797	3,707,319
	=====	=====	=====	=====	=====	=====	=====	=====	=====

TABLE 2 - CHANGES IN NET POSITION

MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE THREE YEARS ENDING DECEMBER 31, 2020

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Receipts:									
Program receipts:									
Charges for services	97,632	107,782	110,703	662,150	629,122	658,683	759,782	736,904	769,386
Operating grants	2,900						2,900	0	0
Capital grants	31,824						31,824	0	0
General receipts:									
Property taxes	559,360	538,570	513,755				559,360	538,570	513,755
Sales taxes	1,179,095	1,118,375	1,130,054				1,179,095	1,118,375	1,130,054
Occupancy tax	100,402	106,148	90,332				100,402	106,148	90,332
Other taxes	60	84	120				60	84	120
State sources	36,801	33,368	32,458				36,801	33,368	32,458
County sources	28,888	28,211	27,631				28,888	28,211	27,631
Interest received	3,589	9,917	9,073	6,407	11,566	10,341	9,996	21,483	19,414
Rent and franchise fees	11,000	11,000	11,000				11,000	11,000	11,000
Donations	4,584	10,000					4,584	10,000	0
Miscellaneous	62	580					62	580	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total receipts	2,056,197	1,964,035	1,925,126	668,557	640,688	669,024	2,724,754	2,604,723	2,594,150
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Disbursements:									
General government	493,108	488,425	444,434				493,108	488,425	444,434
Public safety	203,153	193,021	186,104				203,153	193,021	186,104
Public works	647,761	271,092	251,527				647,761	271,092	251,527
Health and welfare	25,000	20,000	16,000				25,000	20,000	16,000
Culture/recreation	190,319	193,336	158,782				190,319	193,336	158,782
Economic development	294,443	212,197	170,902				294,443	212,197	170,902
Liquor agreement	2,625	1,650	2,775				2,625	1,650	2,775
Debt service	195,860	195,700	195,444				195,860	195,700	195,444
Water				190,051	308,779	161,876	190,051	308,779	161,876
Sewer				311,469	287,045	342,810	311,469	287,045	342,810
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total disbursements	2,052,269	1,575,421	1,425,968	501,520	595,824	504,686	2,553,789	2,171,245	1,930,654
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net position increase (decrease) before transfers	3,928	388,614	499,158	167,037	44,864	164,338	170,965	433,478	663,496
Other financing sources (uses):									
Sale of surplus property	4,850						4,850	0	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Change in net position	8,778	388,614	499,158	167,037	44,864	164,338	175,815	433,478	663,496
Net position:									
December 31, 2017			2,116,731			927,092			3,043,823
			-----			-----			-----
December 31, 2018		2,615,889	2,615,889		1,091,430	1,091,430		3,707,319	3,707,319
		-----	-----		-----	-----		-----	-----
December 31, 2019	3,004,503	3,004,503		1,136,294	1,136,294		4,140,797	4,140,797	
	-----	-----		-----	-----		-----	-----	
December 31, 2020	3,013,281			1,303,331			4,316,612		
	=====			=====			=====		

## CITY OF HILL CITY

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	
Assets:			
Petty cash	500		500
Checking	12,063	2,487	14,550
Checking - library	8,410		8,410
Money market	2,782,315	982,833	3,765,148
Certificates of deposit	209,993	318,011	528,004
Total assets	3,013,281	1,303,331	4,316,612
	=====	=====	=====
Net Position:			
Restricted for:			
Library	8,410		8,410
3rd cent uses	299,869		299,869
Business Improvement District	267,129		267,129
Bridge	31,824		31,824
Meter deposits		34,574	34,574
Unrestricted	2,406,049	1,268,757	3,674,806
Total net position	3,013,281	1,303,331	4,316,612
	=====	=====	=====

See accompanying notes.

## CITY OF HILL CITY

STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Disbursements	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	493,108	84,381			(408,727)		(408,727)
Public safety	203,153		2,000		(201,153)		(201,153)
Public works	647,761	4,450		31,824	(611,487)		(611,487)
Health and welfare	25,000				(25,000)		(25,000)
Culture and recreation	190,319	2,651	900		(186,768)		(186,768)
Economic development	294,443				(294,443)		(294,443)
Liquor agreements	2,625	6,150			3,525		3,525
Debt service	195,860				(195,860)		(195,860)
Total governmental activities	2,052,269	97,632	2,900	31,824	(1,919,913)	0	(1,919,913)
Business-type activities:							
Water	190,051	301,865				111,814	111,814
Sewer	311,469	360,285				48,816	48,816
Total business-type activities	501,520	662,150	0	0	0	160,630	160,630
Total primary government	2,553,789	759,782	2,900	31,824	(1,919,913)	160,630	(1,759,283)
General receipts:							
Taxes:							
Property taxes					559,360		559,360
Sales taxes					1,179,095		1,179,095
Occupancy tax					100,402		100,402
Amusement taxes					60		60
State shared receipts					36,801		36,801
County shared receipts					28,888		28,888
Interest received					3,589	6,407	9,996
Rent and franchise fees					11,000		11,000
Donations					4,584		4,584
Miscellaneous					62		62
Sale of surplus property					4,850		4,850
Transfers					0		0
Total general receipts					1,928,691	6,407	1,935,098
Change in net position					8,778	167,037	175,815
Net position:							
January 1, 2020					3,004,503	1,136,294	4,140,797
December 31, 2020					3,013,281	1,303,331	4,316,612

See accompanying notes.

## CITY OF HILL CITY

## STATEMENT OF ACTIVITIES

## MODIFIED CASH BASIS

FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs: Primary government:	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>Governmental activities:</b>							
General government	488,425	73,232			(415,193)		(415,193)
Public safety	193,021				(193,021)		(193,021)
Public works	271,092	3,450			(267,642)		(267,642)
Health and welfare	20,000				(20,000)		(20,000)
Culture and recreation	193,336	3,500			(189,836)		(189,836)
Economic development	212,197				(212,197)		(212,197)
Liquor agreements	1,650	27,600			25,950		25,950
Debt service	195,700				(195,700)		(195,700)
<b>Total governmental activities</b>	<b>1,575,421</b>	<b>107,782</b>	<b>0</b>	<b>0</b>	<b>(1,467,639)</b>	<b>0</b>	<b>(1,467,639)</b>
<b>Business-type activities:</b>							
Water	308,779	275,848				(32,931)	(32,931)
Sewer	287,045	353,274				66,229	66,229
<b>Total business-type activities</b>	<b>595,824</b>	<b>629,122</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,298</b>	<b>33,298</b>
<b>Total primary government</b>	<b>2,171,245</b>	<b>736,904</b>	<b>0</b>	<b>0</b>	<b>(1,467,639)</b>	<b>33,298</b>	<b>(1,434,341)</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					538,570		538,570
Sales taxes					1,118,375		1,118,375
Occupancy tax					106,148		106,148
Amusement taxes					84		84
State shared receipts					33,368		33,368
County shared receipts					28,211		28,211
Interest received					9,917	11,566	21,483
Rent and franchise fees					11,000		11,000
Donations - library					10,000		10,000
Miscellaneous					580		580
Transfers					0		0
<b>Total general receipts</b>					<b>1,856,253</b>	<b>11,566</b>	<b>1,867,819</b>
<b>Change in net position</b>					<b>388,614</b>	<b>44,864</b>	<b>433,478</b>
<b>Net position:</b>							
January 1, 2019					2,615,889	1,091,430	3,707,319
December 31, 2019					3,004,503	1,136,294	4,140,797

See accompanying notes.

## CITY OF HILL CITY

BALANCE SHEET -- MODIFIED CASH BASIS  
 ALL GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2020

	General Fund	3rd Cent Fund	Business Improvement District Fund	Debt Service Fund	Bridge Fund	Total
	-----	-----	-----	-----	-----	-----
ASSETS:						
Petty cash	500					500
Checking	12,063					12,063
Checking - library	8,410					8,410
Money market	2,183,493	299,869	267,129	0	31,824	2,782,315
Certificates of deposits	209,993					209,993
	-----	-----	-----	-----	-----	-----
Total assets	2,414,459	299,869	267,129	0	31,824	3,013,281
	=====	=====	=====	=====	=====	=====
FUND BALANCES:						
Nonspendable						0
Restricted	8,410	299,869	267,129	0	31,824	607,232
Committed	298,787					298,787
Assigned	945,000					945,000
Unassigned	1,162,262					1,162,262
	-----	-----	-----	-----	-----	-----
Total fund balances	2,414,459	299,869	267,129	0	31,824	3,013,281 **
	=====	=====	=====	=====	=====	=====

\*\* 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, 2020

	General Fund	3rd Cent Fund	Business Improvement District Fund	Debt Service Fund	Bridge Fund	Total
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	559,360					559,360
General sales and use taxes	988,238	190,857				1,179,095
Occupancy tax			100,402			100,402
Amusement taxes	60					60
Licenses and permits:	79,004					79,004
Intergovernmental:						
Federal grant: CARES	2,000					2,000
State shared revenue:						
Grants	900				31,824	32,724
Bank franchise tax	6,124					6,124
Motor vehicles - commercial	2,745					2,745
Liquor tax reversion	6,562					6,562
Motor vehicle licenses (5%)	13,446					13,446
Highway and bridge	7,924					7,924
County shared revenue: library	28,888					28,888
Charges for goods and services:						
General government	5,377					5,377
Cemetery	4,450					4,450
Library	2,651					2,651
Miscellaneous:						
Interest received	3,589					3,589
Rents and franchise fees	11,000					11,000
Donations	4,584					4,584
Liquor operating agreement	6,150					6,150
Other	62					62
Total receipts	1,733,114	190,857	100,402	0	31,824	2,056,197
Disbursements:						
Current:						
General government:						
Mayor and Council	67,093					67,093
City administration	112,661		29,753			142,414
Elections						0
Financial administration	161,161					161,161
Planning Commission	10,266					10,266
Other	99,109					99,109
Public safety:						
Police	126,045					126,045
Fire	650					650
Inspection services	76,458					76,458
Public works:						
Streets	139,024					139,024
Cemetery	16,859					16,859
Health and welfare:						
Ambulance	25,000					25,000
Culture and recreation:						
Recreation	15,525					15,525
Parks	58,892					58,892
Library	99,609					99,609
Conservation and development:						
Economic development		294,443				294,443
Debt service:						
Principal				164,000		164,000
Interest				31,860		31,860
Miscellaneous:						
Liquor operating agreement	2,625					2,625
Capital outlay	521,236					521,236
Total disbursements	1,532,213	294,443	29,753	195,860	0	2,052,269
Excess of receipts over (under) disbursements	200,901	(103,586)	70,649	(195,860)	31,824	3,928
Other financing sources (uses):						
Sale of surplus property	4,850					4,850
Transfer in (out)	(195,860)			195,860		0
Net change in fund balance	9,891	(103,586)	70,649	0	31,824	8,778 **
Fund balance:						
January 1, 2020	2,404,568	403,455	196,480	0	0	3,004,503
December 31, 2020	2,414,459	299,869	267,129	0	31,824	3,013,281

\*\* Equals change in net position on  
Statement of Activities

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, 2019

	General Fund	3rd Cent Fund	Business Improvement District Fund	Debt Service Fund	Total
Receipts:					
Local sources:					
Taxes:					
Ad valorem taxes	538,570				538,570
General sales and use taxes	929,649	188,726			1,118,375
Occupancy tax			106,148		106,148
Amusement taxes	84				84
Licenses and permits:	65,483				65,483
Intergovernmental:					
State shared revenue:					
Bank franchise tax	5,482				5,482
Motor vehicles - commercial	1,253				1,253
Liquor tax reversion	6,178				6,178
Motor vehicle licenses (5%)	12,614				12,614
Highway and bridge	7,841				7,841
County shared revenue: library	28,211				28,211
Charges for goods and services:					
General government	7,749				7,749
Cemetery	3,450				3,450
Library	3,500				3,500
Miscellaneous:					
Interest received	9,917				9,917
Rents and franchise fees	11,000				11,000
Donations - library	10,000				10,000
Liquor operating agreement	27,600				27,600
Other	580				580
Total receipts	1,669,161	188,726	106,148	0	1,964,035
Disbursements:					
Current:					
General government:					
Mayor and Council	38,799				38,799
City administration	141,285				141,285
Elections					0
Financial administration	180,432				180,432
Planning Commission	8,058				8,058
Other	114,827				114,827
Public safety:					
Police	122,374				122,374
Fire	645				645
Inspection services	70,002				70,002
Public works:					
Streets	188,866				188,866
Cemetery	22,514				22,514
Health and welfare:					
Ambulance	20,000				20,000
Culture and recreation:					
Recreation	20,000				20,000
Parks	67,168				67,168
Library	91,197				91,197
Conservation and development:					
Economic development		212,197			212,197
Debt service:					
Principal				160,000	160,000
Interest				35,700	35,700
Miscellaneous:					
Liquor operating agreement	1,650				1,650
Capital outlay	79,707				79,707
Total disbursements	1,167,524	212,197	0	195,700	1,575,421
Excess of receipts over (under) disbursements	501,637	(23,471)	106,148	(195,700)	388,614
Other financing sources (uses):					
Transfer in (out)	(195,700)			195,700	0
Net change in fund balance	305,937	(23,471)	106,148	0	388,614 **
Fund balance:					
January 1, 2019	2,098,631	426,926	90,332	0	2,615,889
December 31, 2019	2,404,568	403,455	196,480	0	3,004,503

\*\* 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, 2020

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
Assets:			
Current assets:			
Checking	1,526	961	2,487
Money market	546,091	436,742	982,833
Certificates of deposit		318,011	318,011
	-----	-----	-----
Total assets	547,617	755,714	1,303,331
	=====	=====	=====
Net Position:			
Restricted:			
Meter deposits	26,161	8,413	34,574
Unrestricted	521,456	747,301	1,268,757
	-----	-----	-----
Total net position	547,617	755,714	1,303,331
	=====	=====	=====

See accompanying notes.

## CITY OF HILL CITY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Water Fund	Sewer Fund	2020 Total	Water Fund	Sewer Fund	2019 Total
	-----	-----	-----	-----	-----	-----
Operating receipts:						
Charges for goods and services	301,865	360,285	662,150	275,848	353,274	629,122
	-----	-----	-----	-----	-----	-----
Total operating receipts	301,865	360,285	662,150	275,848	353,274	629,122
	-----	-----	-----	-----	-----	-----
Operating disbursements:						
Personal services	92,697	181,540	274,237	97,330	153,322	250,652
Other current services	75,906	127,087	202,993	153,899	127,873	281,772
Capital purchases	21,448	2,842	24,290	57,550	5,850	63,400
	-----	-----	-----	-----	-----	-----
Total operating disbursements	190,051	311,469	501,520	308,779	287,045	595,824
	-----	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	111,814	48,816	160,630	(32,931)	66,229	33,298
Nonoperating receipts (disbursements):						
Interest received	381	6,026	6,407	3,392	8,174	11,566
	-----	-----	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	381	6,026	6,407	3,392	8,174	11,566
Transfers - none	-----	-----	0	-----	-----	0
	-----	-----	-----	-----	-----	-----
Change in net position	112,195	54,842	167,037	(29,539)	74,403	44,864
Net position:						
January 1, 2019				464,961	626,469	1,091,430
				-----	-----	-----
December 31, 2019	435,422	700,872	1,136,294	435,422	700,872	1,136,294
	-----	-----	-----	-----	-----	-----
December 31, 2020	547,617	755,714	1,303,331	=====	=====	=====
	=====	=====	=====			

See accompanying notes.

## CITY OF HILL CITY

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Water Fund	Sewer Fund	2020 Total	Water Fund	Sewer Fund	2019 Total
	-----	-----	-----	-----	-----	-----
Cash flows from:						
Operating activities:						
Receipts from customers	301,865	360,285	662,150	275,848	353,274	629,122
Payments to employees	(92,697)	(181,540)	(274,237)	(97,330)	(153,322)	(250,652)
Payments to suppliers	(75,906)	(127,087)	(202,993)	(153,899)	(127,873)	(281,772)
Payments for capital item:	(21,448)	(2,842)	(24,290)	(57,550)	(5,850)	(63,400)
Net cash provided (used) by operating activities	----- 111,814	----- 48,816	----- 160,630	----- (32,931)	----- 66,229	----- 33,298
Noncapital financing activities:						
None			0			0
Capital financing activities:						
None			0			0
Investing activities:						
Interest received	381	6,026	6,407	3,392	8,174	11,566
Purchase certificates of deposit		(5,645)	(5,645)		(4,782)	(4,782)
Net increase (decrease) in cash and cash equivalents	----- 112,195	----- 49,197	----- 161,392	----- (29,539)	----- 69,621	----- 40,082
Cash:						
January 1, 2019				464,961	318,885	783,846
December 31, 2019	435,422	388,506	823,928	435,422	388,506	823,928
December 31, 2020	547,617	437,703	985,320	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	111,814	48,816	160,630	(32,931)	66,229	33,298
Net cash provided (used) by operating activities	----- 111,814	----- 48,816	----- 160,630	----- (32,931)	----- 66,229	----- 33,298
Noncash investing, capital and financing activities: None						
See accompanying notes.						

CITY OF HILL CITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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, 2020 are:

Mayor:	City Administrator:
Kathy Skorzewski	Brett McMacken
Alderpersons:	Finance Officer
Dale Householder, President	Stacia Tallon
Gary Auch	
Carl Doaty Jr.	Attorney:
Jason Gillaspie	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 Fund - the City received a maximum grant of \$31,823 from the State of South Dakota to improve this bridge. Work needs to be completed by the end of 2021. The Museum Drive 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 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 or the "economic resources" measurement focus is used, 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 financials 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) (except for agency funds, which have no fund equity) is reported as "Net Position Held in Agency Capacity."

#### 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 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	8,410
	3rd Cent	Statute	299,869
	Business Imp. Dist.	Statute	267,129
	Debt service	Covenant	0
	Bridge	Contract	31,824
Committed	Street improvements	Ordinance	298,787
Assigned	Emergencies when declared by the Common Council	Resolution	750,000
	Parks	Finance officer	195,000
Unassigned	General		1,162,262
			-----
			3,013,281

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 21 above and the revenue source is:

Special Revenue Fund:	Revenue Source: (see page 14 and 15)
* 3rd Cent	Sales tax
* Business Improvement District	Occupancy tax

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

None reported.

## 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, 2020 were as follows: Insured \$545,699, Collateralized \*\* \$3,793,029 for a total of \$4,338,728.

\*\* 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, 2020 was \$4,316,612 held as follows.

First Interstate Bank (Hill City, SD):	
Checking	\$ 22,960
Money Market	3,765,148
Black Hills Community Bank (Rapid City, SD):	
Certificates of deposit	528,004
Petty cash	500
	-----
	\$ 4,316,612
	=====

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, 2020 the City's cash deposits in financial institutions were not exposed to custodial deposit risk.

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, 2020 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, 2020 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Library	Statute	8,410	
3rd cent	Statute	299,869	
Business improv. dist.	Statute	267,129	
Bridge	Contract	31,824	
Debt service	Covenant	0	
Water: Meter deposits	Contracts		26,161
Sewer: Meter deposits	Contracts		8,413
		-----	-----
Total Restricted Net Position		607,232	34,574

#### 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 \$0.0025 per gallon for sewer. At December 31, 2020 the water fund's capital improvement balance is determined to be \$288,247, which is included in the water fund's unrestricted net position. At December 31, 2020 the sewer fund's capital improvement balance is determined to be \$194,341, which is included in the sewer fund's unrestricted net position.

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

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 2007 bonds were paid by the general fund.

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

## 7. 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 liability (assets), 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 Description:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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. SDRS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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 equal to or greater than the accrued liabilities.

All benefits except those 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, 2020, 2019, and 2018 were \$33,401, \$33,375 and \$32,662 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities:

At June 30, 2020 SDRS is 100.04% 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, 2020 and reported by the City as of December 31, 2020 are as follows:

Proportionate share of total pension liability	\$ 2,995,188
Less: Proportionate share of net position restricted for pension benefits	(2,996,246)
	-----
Proportionate share of net pension (asset)/liability	\$ (1,058)
	=====

The net pension (asset)/liability was measured as of June 30, 2020 and the total pension (asset)/liability used to calculate the net pension (asset)/liability was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the City's proportion was .000243650 which is a decrease of .000016846 over its proportion measured as of June 30, 2019.

#### Actuarial Assumptions:

The total pension (asset)/liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

#### Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on 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)/liability.

#### Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability of SDRS, 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	\$410,499	\$(1,058)	\$(337,704)

#### 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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	-----	
	100.0%	

#### Pension Plan Fiduciary Net Position:

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

#### 8. 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.

#### 9. LITIGATION

At December 31, 2020 the City was 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.

#### 10. 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 year ending December 31, 2020 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 a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

Effective January 1, 2018 the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written



notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	1	2	3	4	5	6+
Percentage	55%	50%	40%	35%	30%	20%

All refunds shall be paid to the withdrawing member over a 5 year term.

As of December 31, 2020, the City's balance available to be refunded per the SDPAA was \$18,631.

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 year ending December 31, 2019 the City made about \$2,000 in unemployment insurance payments and none were made in 2020. No unemployment insurance payments are expected to be made in 2021.

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

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

TIF #2 (Bull Run) has an estimated cost of public works and improvements of \$2,000,000. At December 31, 2020 none of these cost have been funded.

As of December 31, 2020 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.

The City does not operate a landfill or rubble site.

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

The 2019 and 2020 tax levies do not include an opt out.

In April 2021 the City purchased a new S76 Bobcat with a trade-in for \$41,224.

In 2021 the City began working on a water reservoir project, new sewer improvements and Major Lake bridge improvements.

In 2021 the City expects to receive some \$120,000 of CARES funding related to police activities.

## CITY OF HILL CITY

SCHEDULE OF CHANGES IN LONG-TERM DEBT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

				Governmental Funds	Enterprise Funds	Principal Payments
	Beginning 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	Ending 12-31-20	Ending 12-31-20	Due in 2021
	-----	-----	-----	-----	-----	-----
GOVERNMENTAL - DIRECT BORROWING						
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	1,398,000	(160,000)	(164,000)	1,074,000		168,000
BUSINESS-TYPE						
None						
Totals	1,398,000	(160,000)	(164,000)	1,074,000	0	168,000
	=====	=====	=====	=====	=====	=====

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2015 General Obligation Bond:				
2021	195,924	168,000	27,924	906,000
2022	195,556	172,000	23,556	734,000
2023	195,084	176,000	19,084	558,000
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	1,173,840	1,074,000	99,840	
	=====	=====	=====	

CITY OF HILL CITY  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:			Final		
Receipts from local sources:					
Taxes:	1,451,077		1,451,077		(1,451,077)
Ad valorem taxes			0	559,360	559,360
Sales and use tax			0	988,238	988,238
Amusement tax			0	60	60
Licenses and permits:	56,350		56,350	79,004	22,654
Intergovernmental receipts:	58,038		58,038		(58,038)
Federal grant - CARES			0	2,000	2,000
State shared revenue:					
Grant - library			0	900	900
Bank franchise tax			0	6,124	6,124
Motor vehicles - commercial			0	2,745	2,745
Liquor tax reversion			0	6,562	6,562
Motor vehicle licenses (5%)			0	13,446	13,446
Highway and bridge			0	7,924	7,924
County shared revenue: library			0	28,888	28,888
Charges for goods and services:					
General government			0	5,377	5,377
Cemetery			0	4,450	4,450
Library			0	2,651	2,651
Miscellaneous receipts:	499,477		499,477		(499,477)
Interest received			0	3,589	3,589
Rent and franchise fees			0	11,000	11,000
Donations			0	4,584	4,584
Liquor operating agreement			0	6,150	6,150
Other			0	62	62
Total receipts	2,064,942	0	0	2,064,942	1,733,114
Disbursements:					(331,828)
General government:					
Mayor and Council	40,767	26,500	67,267	67,093	174
Contingency	89,004		89,004		89,004
Amount transferred		(42,291)	(42,291)		(42,291)
City administration	109,593	8,650	118,243	118,196	47
Elections	0		0		0
Financial administration	204,745	4,066	208,811	166,562	42,249
Planning Commission	9,939	500	10,439	10,266	173
Other	141,495		141,495	101,238	40,257
Public safety:					
Police	126,045		126,045	126,045	0
Fire	600	50	650	650	0
Development services	75,303	2,000	77,303	76,458	845
Public works:					
Streets	738,022		738,022	630,902	107,120
Cemetery	44,580		44,580	16,859	27,721
Health and welfare:					
Ambulance	25,000		25,000	25,000	0
Culture and recreation:					
Recreation	15,000	525	15,525	15,525	0
Parks	114,723		114,723	58,892	55,831
Library	131,566		131,566	115,902	15,664
Miscellaneous:	2,700		2,700	2,625	75
Total disbursements	1,869,082	0	0	1,869,082	1,532,213
Excess of receipts over (under) disbursements	195,860	0	0	195,860	200,901
Other financing sources (uses):					5,041
Sale of surplus property			0	4,850	4,850
Transfer in	438,100		438,100		(438,100)
Transfer (out)	(633,960)		(633,960)	(195,860)	438,100
Change in fund balance	0	0	0	9,891	9,891
Fund balance:					
January 1, 2020	2,404,568		2,404,568	2,404,568	0
December 31, 2020	2,404,568	0	0	2,414,459	9,891

## CITY OF HILL CITY

## SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:	1,565,524			1,565,524	(1,565,524)
Ad valorem taxes				0	538,570
Sales and use tax				0	929,649
Amusement tax				0	84
Licenses and permits:	60,333			60,333	65,483
Intergovernmental receipts:	85,795			85,795	(85,795)
State shared revenue:					
Bank franchise tax				0	5,482
Motor vehicles - commercial				0	1,253
Liquor tax reversion				0	6,178
Motor vehicle licenses (5%)				0	12,614
Highway and bridge				0	7,841
County shared revenue: library				0	28,211
Charges for goods and services:					
General government				0	7,749
Cemetery				0	3,450
Library				0	3,500
Miscellaneous receipts:	40,053			40,053	(40,053)
Interest received				0	9,917
Rent and franchise fees				0	11,000
Donations - library				0	10,000
Liquor operating agreement				0	27,600
Other				0	580
Total receipts	1,751,705	0	0	1,751,705	1,669,161
Disbursements:					
General government:					
Mayor and Council	43,091			43,091	38,799
Contingency	64,320			64,320	4,292
Amount transferred		(6,738)		(6,738)	64,320
City administration	369,057			369,057	(6,738)
Elections	0			0	141,285
Financial administration	211,742			211,742	227,772
Planning Commission	10,064			10,064	0
Other	114,995			114,995	185,456
Public safety:					8,058
Police	121,186	1,188		122,374	2,006
Fire	600	50		650	168
Development services	70,461			70,461	114,827
Public works:					
Streets	417,357			417,357	114,827
Cemetery	19,852	5,500		25,352	114,827
Health and welfare:					
Ambulance	20,000			20,000	114,827
Culture and recreation:					
Recreation	20,000			20,000	114,827
Parks	81,462			81,462	114,827
Library	126,990			126,990	114,827
Debt service:	37,128			37,128	114,827
Miscellaneous:	2,700			2,700	114,827
Total disbursements	1,731,005	0	0	1,731,005	1,167,524
Excess of receipts over (under) disbursements	20,700	0	0	20,700	501,637
Other financing sources (uses):					
Transfer in	175,000			175,000	(175,000)
Transfer (out)	(195,700)			(195,700)	0
Change in fund balance	0	0	0	0	305,937
Fund balance:					
January 1, 2019	2,098,631			2,098,631	2,098,631
December 31, 2019	2,098,631	0	0	2,098,631	2,404,568

## CITY OF HILL CITY

## SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2020

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:	192,000		192,000	190,857	(1,143)
Miscellaneous:					
Interest received	0		0	0	0
Total receipts	192,000	0	192,000	190,857	(1,143)
Disbursements:					
Economic development:					
Promoting the City	310,000		310,000	294,443	15,557
Total disbursements	310,000	0	310,000	294,443	15,557
Excess of receipts over (under) disbursements	(118,000)	0	(118,000)	(103,586)	14,414
Other financing sources (uses):					
Transfer in	118,000		118,000		(118,000)
Net change in fund balance	0	0	0	(103,586)	(103,586)
Fund balance:					
January 1, 2020	403,455		403,455	403,455	0
December 31, 2020	403,455	0	403,455	299,869	(103,586)

## SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2019

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:	192,000		192,000	188,726	(3,274)
Miscellaneous:					
Interest received	525		525	0	(525)
Total receipts	192,525	0	192,525	188,726	(3,799)
Disbursements:					
Economic development:					
Promoting the City	281,620		281,620	212,197	69,423
Total disbursements	281,620	0	281,620	212,197	69,423
Excess of receipts over (under) disbursements	(89,095)	0	(89,095)	(23,471)	65,624
Other financing sources (uses):					
Transfer in	89,095		89,095		(89,095)
Net change in fund balance	0	0	0	(23,471)	(23,471)
Fund balance:					
January 1, 2019	426,926		426,926	426,926	0
December 31, 2019	426,926	0	426,926	403,455	(23,471)

## CITY OF HILL CITY

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2020

BUSINESS IMPROVEMENT DISTRICT	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Occupancy tax	105,000		105,000	100,402	(4,598)
Miscellaneous:					
Interest received			0	0	0
Total receipts	105,000	0	105,000	100,402	(4,598)
Disbursements:					
General government:					
Boards	450,100		450,100	29,753	420,347
Debt service: Principle	84,000		84,000		84,000
Interest	9,000		9,000		9,000
Total disbursements	543,100	0	543,100	29,753	513,347
Excess of receipts over (under) disbursements	(438,100)	0	(438,100)	70,649	508,749
Other financing sources (uses):					
Transfer in	438,100		438,100		(438,100)
Net change in fund balance	0	0	0	70,649	70,649
Fund balance:					
January 1, 2020	196,480		196,480	196,480	0
December 31, 2020	196,480	0	196,480	267,129	70,649

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2019

BUSINESS IMPROVEMENT DISTRICT (No budget in 2019)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Occupancy tax			0	106,148	106,148
Miscellaneous:					
Interest received			0	0	0
Total receipts	0	0	0	106,148	106,148
Disbursements:					
Economic development:					
Subsidy			0		0
Other			0		0
Total disbursements	0	0	0	0	0
Excess of receipts over (under) disbursements	0	0	0	106,148	106,148
Other financing sources (uses):					
Transfer in			0		0
Net change in fund balance	0	0	0	106,148	106,148
Fund balance:					
January 1, 2019			0	90,332	90,332
December 31, 2019	0	0	0	196,480	196,480

# CITY OF HILL CITY

## BUDGETARY SUPPLEMENTARY INFORMATION

### NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL REVENUE FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2020

#### 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 2019 and 2020 there were no supplemental budgets to the general fund or special revenue funds. See page 34 to 37.
- 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 SEVEN YEARS ENDING DECEMBER 31, 2020

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, 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	(00.11%)	100.02%
June 30, 2017	0.0226401%	(2,055)	460,000	(00.45%)	100.10%
June 30, 2016	0.0256832%	86,755	488,367	17.76%	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. Additional years will be displayed as they become available.

CITY OF HILL CITY  
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

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, 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. Additional years will be displayed as they become available.

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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 FCFR equal to or exceeding 100%. The condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes:

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

REPORT ON  
COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
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 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, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's modified cash basis of accounting financial statements and have issued my report thereon dated July 7, 2021 which was unmodified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 separate Letters of Comments dated July 7, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Hill City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, 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 the 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 of Hill 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Also, I did not identify a deficiency in internal control that I consider to be a significant deficiency.

I did note 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 July 7, 2021.

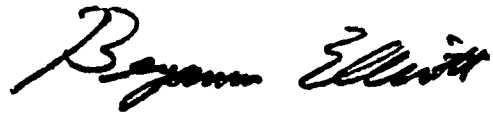
#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. 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

July 7, 2021



CITY OF HILL CITY  
SCHEDULES OF FINDINGS  
DECEMBER 31, 2020

Schedule of Prior Audit Findings:

Prior Federal Compliance Audit finding:  
None

Prior Other Audit Findings:  
None reported

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Financial Statements

Type of auditor's report issued:

Unqualified on:  
Governmental Activities  
Business-Type Activities  
All Funds

Noncompliance noted:

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?

None Reported