

CITY OF HOVEN  
HOVEN, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2021  
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 HOVEN  
HOVEN, SOUTH DAKOTA  
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FOR THE TWO YEARS ENDING DECEMBER 31, 2021

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

# INDEPENDENT AUDIT SERVICES, PC

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Governing Board  
City of Hoven  
Hoven, South Dakota

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

### *Financial Statement Audit:*

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the City of Hoven (City), Potter County, South Dakota as of December 31, 2021, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

### *Qualified Opinions:*

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund of the City of Hoven, Potter County, South Dakota as of December 31, 2021, and the respective changes in its financial position for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1c to the financial statement.

### *Basis for Qualified Opinions*

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

### *Matter Giving Rise to Qualified Opinions:*

The City did not maintain a general ledger during 2020 and 2021.

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

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

In preparing the modified cash basis of accounting financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hoven's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibility for the Audit of the Financial Statements:*

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

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

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

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

*Other Matters - Basis of Accounting:*

I draw attention to note 1c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Supplementary Information (no opinion):*

Accounting principles generally accepted in the United States of America allow for the budgetary comparison schedules (page 30 to 34) and the pension schedules (page 35 and 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is allowed by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the 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 the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information (opinion):*

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

The schedule of changes in long-term liabilities (page 28 and 29) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

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

In my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinions" paragraph above, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 7, 2025 (page 37) on my consideration of the City of Hoven's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hoven's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hoven's internal control over financial reporting and compliance.

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

March 7, 2025



CITY OF HOVEN

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2021

	Primary Government		
	-----		
	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
Assets:			
Cash and equivalents	654,895	260,068	914,963
Certificates of deposits	0	305,637	305,637
	-----	-----	-----
Total assets	654,895	565,705	1,220,600
	=====	=====	=====
Net Position:			
Restricted - debt service		47,796	47,796
Restricted - asset replacement		28,435	28,435
Unrestricted	654,895	489,474	1,144,369
	-----	-----	-----
Total net position	654,895	565,705	1,220,600
	=====	=====	=====

See accompanying notes.

## CITY OF HOVEN

STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	107,984	210	27,961		-79,813		-79,813
Public safety	29,419				-29,419		-29,419
Public works	124,627	1,063	27,960		-95,604		-95,604
Health and welfare	80,897	25,805	27,960		-27,132		-27,132
Culture and recreation	56,099	66,689			10,590		10,590
Economic development	11,095				-11,095		-11,095
Debt service and cost	41,979				-41,979		-41,979
Total governmental activities	452,100	93,767	83,881	0	-274,452	0	-274,452
Business-type activities:							
Liquor	439,935	465,480				25,545	25,545
Water	185,735	163,660				-22,075	-22,075
Sewer	82,738	88,363				5,625	5,625
Airport	256,345	2,765		265,022		11,442	11,442
Total business-type activities	964,753	720,268	0	265,022	0	20,537	20,537
Total primary government	1,416,853	814,035	83,881	265,022	-274,452	20,537	-253,915
General receipts:							
Taxes:							
Property taxes					165,835		165,835
Sales taxes					226,546		226,546
State shared receipts					35,653		35,653
County shared receipts					790		790
Interest received					5,756	5,123	10,879
Donations					11,600		11,600
Miscellaneous receipts					23,715		23,715
Transfers					-17,203	17,203	0
Total general receipts and transfers					452,692	22,326	475,018
Change in net position					178,240	42,863	221,103
Net position:							
January 1, 2021					476,655	522,842	999,497
December 31, 2021					654,895	565,705	1,220,600

See accompanying notes.

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

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	107,458	150	27,596		-79,712		-79,712
Public safety	24,167				-24,167		-24,167
Public works	131,242	1,150	27,595		-102,497		-102,497
Health and welfare	160,200	14,142	27,595		-118,463		-118,463
Culture and recreation	67,695	9,088			-58,607		-58,607
Economic development	1,095				-1,095		-1,095
Debt service and cost	35,976				-35,976		-35,976
Total governmental activities	527,833	24,530	82,786	0	-420,517	0	-420,517
Business-type activities:							
Liquor	364,004	339,856				-24,148	-24,148
Water	165,314	167,282				1,968	1,968
Sewer	70,804	82,738				11,934	11,934
Airport	19,661	1,692				-17,969	-17,969
Total business-type activities	619,783	591,568	0	0	0	-28,215	-28,215
Total primary government	1,147,616	616,098	82,786	0	-420,517	-28,215	-448,732
General receipts:							
Taxes:							
Property taxes					154,626		154,626
Sales taxes					193,714		193,714
Amusement tax					108		108
State shared receipts					33,441		33,441
County shared receipts					3,161		3,161
Interest received					2,340	5,123	7,463
Donations					8,950		8,950
Miscellaneous receipts					9,954		9,954
Compensation for damaged property					10,830		10,830
Transfers					-4,901	4,901	0
Total general receipts and transfers					412,223	10,024	422,247
Change in net position					-8,294	-18,191	-26,485
Net position:							
January 1, 2020					484,949	541,033	1,025,982
December 31, 2020					476,655	522,842	999,497

See accompanying notes.



CITY OF HOVEN

BALANCE SHEET -- MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2021

	General Fund	1st Cent Fund	2nd Cent Fund	Total Governmental Funds
	-----	-----	-----	-----
Assets:				
Cash and cash equivalents	82,028	420,466	152,401	654,895
	-----	-----	-----	-----
	82,028	420,466	152,401	654,895
Total assets	=====	=====	=====	=====
 Fund Balance:				
Nonspendable				0
Restricted				0
Committed		420,466	152,401	572,867
Assigned				0
Unassigned	82,028			82,028
	-----	-----	-----	-----
Total fund balances	82,028	420,466	152,401	654,895*
	=====	=====	=====	=====

\* Total net position on government-wide  
statement of net position.

See accompanying notes.

CITY OF HOVEN  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
 BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2020

	General Fund	1st Cent Fund	2nd Cent Fund	2021 Total	General Fund	1st Cent Fund	2nd Cent Fund	2020 Total
Receipts:								
Receipts from local sources:								
Taxes:								
Ad valorem taxes	165,835			165,835	154,626			154,626
General sales and use taxes	67,883	113,342	45,321	226,546	41,561	92,453	59,700	193,714
Amusement tax				0	108			108
Licenses and permits:	210			210	150			150
Intergovernmental receipts:								
Federal grant - COVID:	83,881			83,881	82,786			82,786
State shared receipts:								
Fire insurance premium	266			266				0
Bank franchise tax	2,419			2,419	2,394			2,394
Motor vehicle commercial	903			903	1,375			1,375
Liquor tax reversion	3,786			3,786	2,810			2,810
5% Motor vehicle licenses	7,486			7,486	6,906			6,906
Highway and bridge	20,793			20,793	19,956			19,956
County shared receipts:								
Highway and bridge	790			790	3,161			3,161
Potter ambulance grant	6,000			6,000	6,000			6,000
Charges for goods and services:								
Sanitation	1,063			1,063	1,150			1,150
Ambulance	12,601			12,601	8,142			8,142
Health	7,204			7,204				0
Pool and parks	11,160			11,160	9,089			9,089
Recreation: Club the King	55,529			55,529				0
Miscellaneous receipts:								
Interest	5,486	204	66	5,756	2,005	255	79	2,339
Donations	11,600			11,600	8,950			8,950
Other	23,715			23,715	9,954			9,954
Total receipts	488,610	113,546	45,387	647,543	361,123	92,708	59,779	513,610
Disbursements:								
Current:								
General government:								
Mayor and Council	10,776			10,776	13,062			13,062
Elections				0				0
Financial administration	97,208			97,208	94,396			94,396
Public safety:								
Police	13,153			13,153	7,687			7,687
Fire	16,266			16,266	16,480			16,480
Public works:								
Highways and streets	121,739			121,739	127,269			127,269
Sanitation	2,888			2,888	3,973			3,973
Health and welfare:								
Ambulance	80,897			80,897	160,200			160,200
Culture and recreation:								
Summer recreation	39,904			39,904	51,880			51,880
Recreation: Club the King	7,760			7,760				0
Parks	8,435			8,435	15,815			15,815
Economic opportunity	11,095			11,095	1,095			1,095
Debt service:			41,979	41,979			35,976	35,976
Capital outlay				0				0
Total disbursements	410,121	0	41,979	452,100	491,857	0	35,976	527,833
Excess of receipts over (under) disbursements	78,489	113,546	3,408	195,443	-130,734	92,708	23,803	-14,223
Other financing sources (uses):								
Compensation for damaged property				0	10,830			10,830
Transfer in (out)	12,082	-71,198	41,913	-17,203	142,331	-55,885	-91,347	-4,901
Net change in fund balance	90,571	42,348	45,321	178,240*	22,427	36,823	-67,544	-8,294
Fund balance (deficit):								
January 1, 2020					-30,970	341,295	174,624	484,949
December 31, 2020	-8,543	378,118	107,080	476,655	-8,543	378,118	107,080	476,655
December 31, 2021	82,028	420,466	152,401	654,895				

\* Total change in net position on government-wide  
 statement of activities

See accompanying notes.

CITY OF HOVEN

STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Assets:					
Cash and cash equivalents	29,450	214,666	166,541	-150,589	260,068
Certificates of deposit		305,637			305,637
	-----	-----	-----	-----	-----
Total assets	29,450	520,303	166,541	-150,589	565,705
	=====	=====	=====	=====	=====
Net Position (deficit):					
Restricted - debt service		34,428	13,368		47,796
Restricted - asset replacement			28,435		28,435
Unrestricted	29,450	485,875	124,738	-150,589	489,474
	-----	-----	-----	-----	-----
Total net position	29,450	520,303	166,541	-150,589	565,705
	=====	=====	=====	=====	=====

See accompanying notes.

## CITY OF HOVEN

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- ENTERPRISE FUNDS  
 MODIFIED CASH BASIS  
 FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Operating receipts:					
Charges for goods and services	431,905	139,754	58,403	2,765	632,827
Receipts dedicated to debt service		23,906	29,960		53,866
Lottery sales, net	33,575				33,575
	-----	-----	-----	-----	-----
Total operating receipts	465,480	163,660	88,363	2,765	720,268
	-----	-----	-----	-----	-----
Operating disbursements:					
Personal services	127,683	26,964	26,787	1,361	182,795
Other current services	66,463	57,800	17,980	8,993	151,236
Cost of goods sold	245,789	66,543		504	312,836
Capital assets				245,487	245,487
	-----	-----	-----	-----	-----
Total operating disbursements	439,935	151,307	44,767	256,345	892,354
	-----	-----	-----	-----	-----
Net operating receipts (disbursements)	25,545	12,353	43,596	-253,580	-172,086
Nonoperating receipts (disbursements):					
Interest received	2	5,121			5,123
Rents					0
Debt service - principal		-13,905	-15,956		-29,861
Debt service - interest		-20,523	-22,015		-42,538
	-----	-----	-----	-----	-----
Total nonoperating receipts (disbursemen	2	-29,307	-37,971	0	-67,276
Income (loss) before transfers and grants	25,547	-16,954	5,625	-253,580	-239,362
Transfer in (out)	-1,250	18,453			17,203
Federal grant				251,073	251,073
State grant				13,949	13,949
	-----	-----	-----	-----	-----
Change in net position	24,297	1,499	5,625	11,442	42,863
Net position (deficit):					
January 1, 2021	5,153	518,804	160,916	-162,031	522,842
	-----	-----	-----	-----	-----
December 31, 2021	29,450	520,303	166,541	-150,589	565,705
	=====	=====	=====	=====	=====

See accompanying notes.

## CITY OF HOVEN

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

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Operating receipts:					
Charges for goods and services	331,389	137,242	60,022	1,692	530,345
Receipts dedicated to debt service		30,040	22,716		52,756
Lottery sales, net	8,467				8,467
	-----	-----	-----	-----	-----
Total operating receipts	339,856	167,282	82,738	1,692	591,568
	-----	-----	-----	-----	-----
Operating disbursements:					
Personal services	133,500	27,212	24,360		185,072
Other current services	22,052	37,613	8,473	15,693	83,831
Cost of goods sold	208,452	66,061		3,968	278,481
Capital assets					0
	-----	-----	-----	-----	-----
Total operating disbursements	364,004	130,886	32,833	19,661	547,384
	-----	-----	-----	-----	-----
Net operating receipts (disbursements)	-24,148	36,396	49,905	-17,969	44,184
Nonoperating receipts (disbursements):					
Interest received	2	5,121			5,123
Rents					0
Debt service - principal		-13,528	-15,460		-28,988
Debt service - interest		-20,900	-22,511		-43,411
	-----	-----	-----	-----	-----
Total nonoperating receipts (disbursemen	2	-29,307	-37,971	0	-67,276
Income (loss) before transfers and grants	-24,146	7,089	11,934	-17,969	-23,092
Transfer in (out)	-1,250	6,151			4,901
Federal grant					0
State grant					0
	-----	-----	-----	-----	-----
Change in net position	-25,396	13,240	11,934	-17,969	-18,191
Net position (deficit):					
January 1, 2020	30,549	505,564	148,982	-144,062	541,033
	-----	-----	-----	-----	-----
December 31, 2020	5,153	518,804	160,916	-162,031	522,842
	=====	=====	=====	=====	=====

See accompanying notes.

## CITY OF HOVEN

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	465,480	163,660	88,363	2,765	720,268
Payments to employees	-127,683	-26,964	-26,787	-1,361	-182,795
Payments to suppliers	-312,252	-124,343	-17,980	-9,497	-464,072
Payments for capital projects				-245,487	-245,487
Net cash provided (used) by operating activities	----- 25,545	----- 12,353	----- 43,596	----- -253,580	----- -172,086
Noncapital financing activities:					
Transfer in (out)	-1,250	18,453			17,203
Capital financing activities:					
Federal grant				251,073	251,073
State grant				13,949	13,949
Debt service - principal		-13,905	-15,956		-29,861
- interest		-20,522	-22,015		-42,537
Investing activities:					
Interest received	2	5,121			5,123
Rents					0
Purchase certificate of deposits		-5,121			-5,121
Net increase (decrease) in cash and cash equivalents	----- 24,297	----- -3,621	----- 5,625	----- 11,442	----- 37,743
Cash and cash equivalents (deficit):					
January 1, 2021	5,153	218,287	160,916	-162,031	222,325
December 31, 2021	----- 29,450	----- 214,666	----- 166,541	----- -150,589	----- 260,068
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	25,545	12,353	43,596	-253,580	-172,086
Net cash provided (used) by operating activities	----- 25,545	----- 12,353	----- 43,596	----- -253,580	----- -172,086
Noncash investing, capital and financing activities: None					

See accompanying notes.

## CITY OF HOVEN

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

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	339,856	167,282	82,738	1,692	591,568
Payments to employees	-133,500	-27,212	-24,360		-185,072
Payments to suppliers	-230,504	-103,674	-8,473	-19,661	-362,312
Payments for capital projects					0
Net cash provided (used) by operating activities	----- -24,148	----- 36,396	----- 49,905	----- -17,969	----- 44,184
Noncapital financing activities:					
Transfer in (out)	-1,250	6,151			4,901
Capital financing activities:					
Federal grant					0
State grant					0
Debt service - principal		-13,528	-15,460		-28,988
- interest		-20,900	-22,511		-43,411
Investing activities:					
Interest received	2	5,121			5,123
Rents					0
Purchase certificate of deposits		-5,121			-5,121
Net increase (decrease) in cash and cash equivalents	----- -25,396	----- 8,119	----- 11,934	----- -17,969	----- -23,312
Cash and cash equivalents (deficit):					
January 1, 2020	30,549	210,168	148,982	-144,062	245,637
December 31, 2020	----- 5,153	----- 218,287	----- 160,916	----- -162,031	----- 222,325
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	-24,148	36,396	49,905	-17,969	44,184
Net cash provided (used) by operating activities	----- -24,148	----- 36,396	----- 49,905	----- -17,969	----- 44,184
Noncash investing, capital and financing activities: None					

See accompanying notes.

CITY OF HOVEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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 included in this report are controlled by or dependent upon the City of Hoven's (City) governing board. At December 31, 2021 City officials are:

Mayor:	Finance Officer:
Norman Stethem	Wendy Rausch
Governing Board:	Attorney:
Robert Rausch, President	Austin Hoffman
Dan Glodt	
Jerry Hartung	
Mike Hobert	
Terri Ladwig	
Sam McCloud	

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

Financial Reporting Entity:  
Primary Government: - The City of Hoven  
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 Hoven 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 Hoven does not have any component units.



b. Basis of Presentation:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the reporting entity (City of Hoven) as a whole. These statements include all funds of the reporting entity except fiduciary funds (if any). These statements distinguish between the governmental and business-type activities and discretely presented component units (if any). Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units (if any) are legally separate organizations that meet certain criteria, as described in note 1a above, and may be classified as either governmental or business-type activities.

The Statement of Net Position reports all cash resources. Net position is displayed in two components, restricted (if any) 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 business-type activities of the City. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the 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 received, are presented as general receipts.

FUND FINANCIAL STATEMENTS:

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its 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 it meets the following criteria:

- a. Total cash, receipts, or disbursements of that 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 officials 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.

The funds of the City are described below within their respective fund types:

*Governmental Funds*

General Fund - A fund established by South Dakota Codified Law (SDCL) 4-11-6 to meet 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 Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has the following special revenue fund:

1st Cent Fund - A fund established by ordinance to fund street water, and sewer improvement activities. This fund is a major fund.

2nd Cent Fund - A fund allowed by SDCL 10-52-2 to support ambulance and hospital activities. This fund is a major fund.

*Enterprise Funds:*

Enterprise Fund Types - 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:

Liquor Fund - A fund established by SDCL 35-3-21 to provide on-sale and off-sale liquor services. This fund also accounts for video lottery machine activity. This fund is a major fund.

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

Airport Fund - A fund established by SDCL 50-7-2 to provide airport and hanger rental services and the sale of fuel. This fund is a major fund.

*Fiduciary Funds:*

The City of Hoven does not have any 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 and business-type 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 financial position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

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

d. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the two years ending December 31, 2021, all enterprise fund deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow except for certificates of deposit totaling \$305,637 held for the water fund because their maturity when purchased was longer than three months and they are not part of a pool.

e. Capital Assets:

*Government-wide Financial Statements*

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

*Fund Financial Statements:*

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in enterprise fund operations are accounted for in the same manner as in the government-wide financial statements.

As discussed in Note 1-c above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. The City has not elected to modify its cash basis presentation by recording

capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the City and related depreciation are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, financing notes.

As discussed in Note 1-c above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. The City has not elected to modify its cash basis presentation by recording long-term liabilities arising from cash transaction so any outstanding indebtedness is not reported on the financial statements of the City. The City does report principal and interest payments on long-term liabilities as debt service expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balances. On the Statement of Activities, the principal and interest on these debt service payments are reported within the appropriate expense function.

g. 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.

h. 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 into three categories as follows:

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

i. Enterprise Funds Receipt and Disbursement Classifications:

In both the government-wide statements and fund financial statements, enterprise fund receipts and disbursements are classified in a manner consistent with how they are classified in the statement of cash flows. Accordingly, transactions in which cash flows are reported as capital and related financing activities,

noncapital financing activities, or investing activities are not reported as components of operating receipts and disbursements.

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 receipts, if any, such as grants, investment earnings, and transfers, result from non-exchange transactions.

j. Equity Classifications:

*Government-wide Statements*

Equity is classified as net cash assets and is displayed in two components:

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

*Fund Financial Statements*

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

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, unless there is are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending.

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

The City's special revenue funds are funded from sales tax receipts and grants. See page 8.

k. 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 balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (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 balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or the Finance Officer.

\* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Hoven fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		0
Committed	1st Cent fund	Ordinance	420,466
Committed	2nd Cent fund	Ordinance	152,401
Assigned	None		0
Unassigned	General		82,028
			-----
			654,895

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.

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

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following are overdrafts of departmental disbursement compared to appropriations for the general fund and all special revenue funds that have a budget:

2021: General fund - General government/financial administration	14,808
- Public safety/fire	266
- Health & welfare/ambulance	897
- Culture & recreation/summer recreation	14,904
- Culture & recreation/Club King	7,760
- Conservation & development/economic opportunity	10,000
2020: General fund - General government/financial administration	11,996
- Public safety/fire	480
- Public works/streets	17,269
- Health & welfare/ambulance, COVID	50,200

The City expects to make use of contingency transfers and supplemental appropriations to eliminate overdrafts in the future.

## 3. DEPOSITS AND INVESTMENTS

Deposits - The City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. 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.

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

Actual bank balances at December 31, 2021 were as follows: Insured \$318,872, Collateralized \*\* \$962,759 for a total of \$1,281,631.

\*\* 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 at December 31, 2021 was \$1,220,600 held as follows.

Plains Commerce Bank:	
Checking	\$ 5,642
Savings	907,121
Certificates of deposit	305,637
	-----
	1,218,400
 Petty cash	 2,200
	-----
	\$ 1,220,600

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.

The City had no investments during the two years ending December 31, 2021. Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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

Custodial Deposit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial deposit risk. At December 31, 2021 the City's deposits were not exposed to custodial deposit risk.

Custodial Investment Risk - The risk that the City will not be able to recover the value of its investment, or collateral securities that are in the possession of an outside party. The City had no investments during the two years ending December 31, 2021 and was not exposed to custodial investment risk.

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

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 fund making the deposit or investment.

#### 4. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

2021:	For operations:	Governmental	Enterprise
	General	12,083	
	1st Cent	(71,198)	
	2nd Cent	41,913	
	Liquor		(1,250)
	Water		18,452
		-----	-----
		(17,202)	17,202
2020:	For operations:	Governmental	Enterprise
	General	142,331	
	1st Cent	(55,885)	
	2nd Cent	(91,347)	
	Liquor		(1,250)
	Water		6,151
	Sewer		0
		-----	-----
		(4,901)	4,901

#### 5. RESTRICTED NET POSITION

The following table shows the December 31, 2021 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Water debt service	Covenants		34,428 **
Sewer debt service	Covenants		13,368 **
Sewer asset replacement	Covenants		28,435
		-----	-----
Total Restricted Net Position		0	76,231

\*\* one year of payments

#### 6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 28. The City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

#### 7. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$738,761. The loan was made to cover the cost of water improvements and is described on page 28. The loan will mature in 2054. In 2021 the loan had pledged revenue of \$12,353 (before capital improvements) and made loan payments of \$34,428.

All sewer fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$260,005. The loan was made to cover the cost of sewer improvements and is described on page 28. The loan will mature in 2051. In 2021 the loan had pledged revenue of \$13,636 (before capital improvements) and made loan payments of \$13,368.



## 8. SEWER SURCHARGE REVENUE BOND, SERIES 2016

In 2016 the City issued a Clean Water Project Revenue Bond for \$656,000 of which \$185,649 was not used for net proceeds of \$470,351. At December 31, 2021 the bonds have a remaining balance of \$428,074. The bonds were issued to cover the cost of sewer improvements and is described on page 28. The bonds will mature in 2047. The bonds can be prepaid with permission. The bonds are secured by a sewer surcharge only. They are not secured by, or payable from, the revenues derived from the operation of the sewer fund or any other properties of the City other than sewer surcharge revenue. In 2021 the bonds had surcharge revenue of \$29,960 and made bond payments of \$24,603.

## 9. DEFICIT FUND BALANCE

At December 31, 2021 the airport fund had a deficit fund balance of \$150,589. This is expected to be corrected in 2022 and future years from operations, grant receipts and transfers in from other funds.

## 10. PENSION PLAN

### Summary of Significant Accounting Policies:

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

### Plan 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 Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to 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, 2021, 2020, and 2019 were \$8,005, \$7,973 and \$6,122 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities:

At June 30, 2021 SDRS is 105.52% 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, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 804,250
Less: Proportionate share of net position restricted for pension benefits	(848,668)
	-----
Proportionate share of net pension (asset)/liability	\$ (44,418)
	=====

The net pension (asset)/liability was measured as of June 30, 2021 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, 2021, the City's proportion was .000058000 which is a decrease of .000007515 over its proportion measured as of June 30, 2020.

### Actuarial Assumptions:

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

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

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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	-----	
	100.0%	

### 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.

### 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	\$71,924	\$(44,418)	\$(138,861)

### Pension Plan Fiduciary Net Position:

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

### 11. PROPERTY TAXES

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

### 12. 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 two years ending December 31, 2021 the City managed its risks as follows:

#### Employee Health Insurance:

The City reimburses employees a set amount for their purchases health insurance from a commercial carrier.

#### Liability Insurance:

The City purchases liability insurance from a commercial carrier.

#### 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 during the past three years.

#### Unemployment Benefits:

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

#### 13. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

#### 14. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

#### 15. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The city has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In 2022 and 2023 the City made airport fuel system improvements for approximately \$800,000 which is paid for by a 90% federal grant and a 5% state grant.

CITY OF HOVEN  
FOR THE TWO YEARS ENDING DECEMBER 31, 2021  
SUPPLEMENTARY SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

	Beginning 12-31-19	2020 Additions (Deletions)	2021 Additions (Deletions)	Governmental Ending 12-31-21	Business-Type Ending 12-31-21	Principal Payments Due In 2022
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2010 Sales Tax Revenue bond:						
Original Issue of \$400,000						
Maturing on February 4, 2023						
Interest at 4.00%						
Remaining bonds are callable						
Purpose: support hospital operations						
Secured by sales tax, which is irrevocably pledged to the full payment of said bonds.						
Paid by the 2nd cent fund	73,236	-32,872	-40,364	0		0
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
2012 USDA-RD Sewer Project Revenue Bond:						
Original Issue of \$311,000						
Maturing on November 11, 2051						
Interest at 3.00%						
Bonds are callable						
Purpose: wastewater improvements						
Secured by a statutory lien of most favorable priority, a pledge of the system's revenue and other agreements contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27						
Paid by the sewer fund	270,801	-5,317	-5,479		260,005	5,568
2014 USDA-RD Water Project Revenue Bond:						
Original Issue of \$822,000						
Maturing in 2054						
Interest at 2.75%						
Bonds are callable						
Purpose: water improvements						
Secured by a statutory lien of most favorable priority, a pledge of the system's revenue and other agreements contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27						
Paid by the water fund	766,194	-13,528	-13,905		738,761	13,358
2016 Clean Water Borrower Bond:						
Original issue: \$656,000						
Not used: (185,649)						
-----						
Final amount: \$470,351						
Maturing in 2047						
Interest at 3.25%						
Bonds can be prepaid with permission						
Purpose: wastewater improvements						
Payable solely from surcharge revenue derived from operation of the City's wastewater system						
Paid by the sewer fund	448,694	-10,143	-10,477		428,074	10,822
Totals	1,558,925	-61,860	-70,225	0	1,426,840	29,748

## CITY OF HOVEN

FOR THE TWO YEARS ENDING DECEMBER 31, 2021

## SUPPLEMENTARY SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)

	Total Payment	Principal	Interest	Remaining Balance
Payment Schedules:	-----	-----	-----	-----
2012 USDA-RD Sewer Project Revenue Bond:				
2022	13,368	5,568	7,800	254,437
2023	13,368	5,735	7,633	248,702
2024	13,368	5,610	7,758	243,092
2025	13,368	6,075	7,293	237,017
2026	13,368	5,734	7,634	231,283
2027-2031	66,840	31,385	35,455	199,898
2032-2036	66,840	37,736	29,104	162,162
2037-2041	66,840	43,592	23,248	118,570
2042-2046	66,840	50,365	16,475	68,205
2047-2051	66,840	60,109	6,731	8,096
2052	8,339	8,096	243	0
	-----	-----	-----	
Totals	409,379	260,005	149,374	
	=====	=====	=====	
2014 USDA-RD Water Project Revenue Bond:				
2022	34,428	13,358	21,070	725,403
2023	34,428	14,479	19,949	710,924
2024	34,428	14,877	19,551	696,047
2025	34,428	15,287	19,141	680,760
2026	34,428	15,707	18,721	665,053
2027-2031	172,140	85,257	86,883	579,796
2032-2036	172,140	97,643	74,497	482,153
2037-2041	172,140	111,828	60,312	370,325
2042-2046	172,140	128,073	44,067	242,252
2047-2051	172,140	146,678	25,462	95,574
2052-2054	100,812	95,574	5,238	0
	-----	-----	-----	
Totals	1,133,652	738,761	394,891	
	=====	=====	=====	
2016 Clean Water Borrower Bond:				
2022	24,603	10,822	13,781	417,252
2023	24,603	11,178	13,425	406,074
2024	24,603	11,546	13,057	394,528
2025	24,603	11,925	12,678	382,603
2026	24,603	12,318	12,285	370,285
2027-2031	123,016	67,940	55,076	302,345
2032-2036	123,016	79,875	43,141	222,470
2037-2041	123,016	93,908	29,108	128,562
2042-2046	123,016	110,405	12,611	18,157
2047	24,603	18,157	6,446	0
	-----	-----	-----	
Totals	639,682	428,074	211,608	
	=====	=====	=====	

CLIF OF HOVEN  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	152,943			152,943	165,835	12,892
Sales tax				0	67,883	67,883
Amusement tax				0		0
Licenses and permits:				0	210	210
Intergovernmental receipts:						
Federal grants: COVID	80,000			80,000	83,881	3,881
State shared receipts:						
Fire insurance premium				0	266	266
Bank franchise tax				0	2,419	2,419
Motor vehicle commercial				0	903	903
Liquor tax reversion				0	3,786	3,786
Motor vehicle licenses (5%)				0	7,486	7,486
Highway and bridge				0	20,793	20,793
County shared receipts:						
Highway and bridge				0	790	790
Potter County ambulance grant				0	6,000	6,000
Charges for goods and services:						
Sanitation				0	1,063	1,063
Ambulance				0	12,601	12,601
Health				0	7,204	7,204
Pool and parks	30,000			30,000	11,160	-18,840
Recreation: Club the King				0	55,529	55,529
Miscellaneous receipts:						
Interest received				0	5,486	5,486
Rents				0		0
Donations				0	11,600	11,600
Other				0	23,715	23,715
Total receipts	262,943	0	0	262,943	488,610	225,667
Disbursements:						
General government:						
Mayor and Council	16,000			16,000	10,776	5,224
Contingency	6,000			6,000		6,000
Amount transferred				0		0
Elections	1,000			1,000		1,000
Financial administration	82,400			82,400	97,208	-14,808
Other				0		0
Public safety:						
Police	30,000			30,000	13,153	16,847
Fire	16,000			16,000	16,266	-266
Public works:						
Highways and streets	110,000		52,541	162,541	121,739	40,802
Sanitation	6,000			6,000	2,888	3,112
Health and welfare:						
Mosquito	2,500			2,500		2,500
Ambulance	80,000			80,000	80,897	-897
Culture and recreation:						
Summer recreation	10,000		15,000	25,000	39,904	-14,904
Recreation: Club the King				0	7,760	-7,760
Parks	30,000			30,000	8,435	21,565
Conservation and development:						
Economic opportunity	1,095			1,095	11,095	-10,000
Total disbursements	390,995	0	67,541	458,536	410,121	48,415
Excess of receipts over (under) disbursements	-128,052	0	-67,541	-195,593	78,489	274,082
Other financing sources (uses):						
Transfer in	128,052			128,052	12,082	-115,970
Net change in fund balance	0	0	-67,541	-67,541	90,571	158,112
Fund balance:						
January 1, 2021				0	-8,543	-8,543
December 31, 2021	0	0	-67,541	-67,541	82,028	149,569



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

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	160,995			160,995	154,626	-6,369
Sales tax				0	41,561	41,561
Amusement tax				0	108	108
Licenses and permits:				0	150	150
Intergovernmental receipts:						
Federal grants: COVID	98,500			98,500	82,786	-15,714
State shared receipts:						
Bank franchise tax				0	2,394	2,394
Motor vehicle commercial				0	1,375	1,375
Liquor tax reversion				0	2,810	2,810
Motor vehicle licenses (5%)				0	6,906	6,906
Highway and bridge				0	19,956	19,956
County shared receipts:						
Highway and bridge				0	3,161	3,161
Potter County ambulance grant				0	6,000	6,000
Charges for goods and services:						
Sanitation				0	1,150	1,150
Ambulance				0	8,142	8,142
Pool and parks	30,000			30,000	9,089	-20,911
Miscellaneous receipts:						
Interest received				0	2,005	2,005
Rents				0		0
Donations				0	8,950	8,950
Other				0	9,954	9,954
Total receipts	289,495	0	0	289,495	361,123	71,628
Disbursements:						
General government:						
Mayor and Council	16,000			16,000	13,062	2,938
Contingency	6,000			6,000		6,000
Amount transferred				0		0
Elections	1,000			1,000		1,000
Financial administration	82,400			82,400	94,396	-11,996
Other				0		0
Public safety:						
Police	30,000			30,000	7,687	22,313
Fire	16,000			16,000	16,480	-480
Public works:						
Highways and streets	110,000			110,000	127,269	-17,269
Sanitation	7,500			7,500	3,973	3,527
Health and welfare:						
Mosquito	2,500			2,500		2,500
Ambulance/COVID	80,000		30,000	110,000	160,200	-50,200
Culture and recreation:						
Summer recreation	10,000		45,000	55,000	51,880	3,120
Parks	30,000			30,000	15,815	14,185
Conservation and development:						
Economic opportunity	1,095			1,095	1,095	0
Total disbursements	392,495	0	75,000	467,495	491,857	-24,362
Excess of receipts over (under) disbursements	-103,000	0	-75,000	-178,000	-130,734	47,266
Other financing sources (uses):						
Compensation for damaged property				0	10,830	10,830
Transfer in	101,500			101,500	142,331	40,831
Net change in fund balance	-1,500	0	-75,000	-76,500	22,427	98,927
Fund balance:						
January 1, 2020				0	-30,970	-30,970
December 31, 2020	-1,500	0	-75,000	-76,500	-8,543	67,957

CITY OF HOVEN  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

1st CENT SALES TAX FUND (Reserved for streets, water, and sewer capital improvements)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	90,000		90,000	113,342	23,342
Miscellaneous receipts:					
Interest received			0	204	204
Total receipts	90,000	0	90,000	113,546	23,546
Disbursements:					
Public works:					
Street, Water, Sewer improve	90,000		90,000		90,000
Total disbursements	90,000	0	90,000	0	90,000
Excess of receipts over (under) disbursements	0	0	0	113,546	113,546
Other financing sources (uses):					
Transfer in (out)			0	-71,198	-71,198
Change in fund balance	0	0	0	42,348	42,348
Fund balance:					
January 1, 2021	378,118		378,118	378,118	0
December 31, 2021	378,118	0	378,118	420,466	42,348

1st CENT SALES TAX FUND (Reserved for streets, water, and sewer capital improvements)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	120,000		120,000	92,453	-27,547
Miscellaneous receipts:					
Interest received			0	255	255
Total receipts	120,000	0	120,000	92,708	-27,292
Disbursements:					
Public works:			0		0
Street, Water, Sewer improve	120,000		120,000		120,000
Total disbursements	120,000	0	120,000	0	120,000
Excess of receipts over (under) disbursements	0	0	0	92,708	92,708
Other financing sources (uses):					
Transfer in (out)			0	-55,885	-55,885
Change in fund balance	0	0	0	36,823	36,823
Fund balance:					
January 1, 2020	341,295		341,295	341,295	0
December 31, 2020	341,295	0	341,295	378,118	36,823

CITY OF HOVEN  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

2nd CENT SALES TAX FUND (Reserved for ambulance and hospital cost)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	90,000		90,000	45,321	-44,679
Miscellaneous receipts:					
Interest received			0	66	66
Total receipts	90,000	0	90,000	45,387	-44,613
Disbursements:					
Ambulance	36,000		36,000		36,000
Debt service:					
2010 Sales tax bond payment	54,000		54,000	41,979	12,021
Total disbursements	90,000	0	90,000	41,979	48,021
Excess of receipts over (under) disbursements	0	0	0	3,408	3,408
Other financing sources (uses):					
Transfer in (out)			0	41,913	41,913
Change in fund balance	0	0	0	45,321	45,321
Fund balance:					
January 1, 2021	107,080		107,080	107,080	0
December 31, 2021	107,080	0	107,080	152,401	45,321

2nd CENT SALES TAX FUND (Reserved for ambulance and hospital cost)	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	120,000		120,000	59,700	-60,300
Miscellaneous receipts:					
Interest received			0	79	79
Total receipts	120,000	0	120,000	59,779	-60,221
Disbursements:					
Health and welfare:					
Ambulance			0		0
Debt service:					
2010 Sales tax bond payment	120,000		120,000	35,976	84,024
Total disbursements	120,000	0	120,000	35,976	84,024
Excess of receipts over (under) disbursements	0	0	0	23,803	23,803
Other financing sources (uses):					
Transfer in (out)			0	-91,347	-91,347
Change in fund balance	0	0	0	-67,544	-67,544
Fund balance:					
January 1, 2020	174,624		174,624	174,624	0
December 31, 2020	174,624	0	174,624	107,080	-67,544

CITY OF HOVEN  
NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND AND  
SPECIAL REVENUE FUNDS FOR THE TWO YEARS ENDING December 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the 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 disbursements 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. There were supplemental budgets in 2020 and 2021. See page 30 and 31 for more information.
- e. Formal budgetary integration is employed as a management control device for the general fund and special revenue funds.
- f. The budget for the general fund and special revenue funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because the City uses a modified cash basis of accounting.

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 balances. However, in the budgetary 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 HOVEN

FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

## SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE

SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Percentage of the Pension Plan Net Position	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's	
				Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Fiduciary Pension Plan Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0058000%	-44,418	131,617	(33.75%)	105.52%
June 30, 2020	0.0065515%	-285	143,783	(00.20%)	100.04%
June 30, 2019	0.0039190%	-415	83,333	(00.50%)	100.09%
June 30, 2018	0.0042418%	-99	88,183	(00.11%)	100.02%
June 30, 2017	0.0042803%	-388	86,967	(00.45%)	100.10%
June 30, 2016	0.0048316%	16,321	91,867	17.77%	96.89%
June 30, 2015	0.0078718%	-33,387	139,305	(23.97%)	104.10%
June 30, 2014	0.0074486%	-53,664	126,661	(42.37%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset) liability 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 HOVEN

FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

## 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, 2021	8,005	8,005	0	133,417	6.00%
December 31, 2020	7,973	7,973	0	132,883	6.00%
December 31, 2019	6,122	6,122	0	102,033	6.00%
December 31, 2018	5,454	5,454	0	90,900	6.00%
December 31, 2017	5,085	5,085	0	84,750	6.00%
December 31, 2016	5,190	5,190	0	86,500	6.00%
December 31, 2015	6,685	6,685	0	107,926	6.19%
December 31, 2014	7,958	7,958	0	129,014	6.17%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF HOVEN

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, 2021

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are 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  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board  
City of Hoven  
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Hoven (City), Potter County, South Dakota as of December 31, 2021 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 of Hoven's basic financial statements and have issued my report thereon dated March 7, 2025 which was qualified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Hoven's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Hoven's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

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

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses, that I consider to be a significant deficiency. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2021-01, -02, and -03 to be a significant deficiency.

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

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

I also noted other matters involving internal control that I reported to the governing body and management of the City of Hoven in a separate Letter of Comments dated March 7, 2025.

Compliance and Other Matters:

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

The results of my tests did disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and responses, as items 2021-01 and 2021-02.

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

I did note minor matters involving compliance that I reported to the governing body and management of the City of Hoven in a separate Letter of Comments dated March 7, 2025.

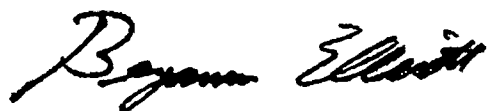
Purpose of this Report

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

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

March 7, 2025





CITY OF HOVEN  
DECEMBER 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

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

Prior Other Audit Findings:

2019-001: [Budget Overdrafts] -- Repeated below

2019-002: [Financial Statement Preparation] -- Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Financial Statements:

Type of auditor's report issued:

Qualified on:

Governmental Activities  
Business-type Activities  
Major Funds

Noncompliance noted:

Item 2021-01, -02

Internal control over financial reporting:

\* Material weakness(es) identified?

None Reported

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

Items 2021-01, -02, and -03

Finding 2021-01: Budget Overdrafts  
(compliance and internal control)  
(first reported in 2009)

Criteria:

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The City is prohibited from spending in excess of appropriated amounts at the sub-function level.

Condition:

During 2021 and 2020 the City exceeded its appropriation in the following areas:

2021:

General fund - General government/financial administration	14,808
- Public safety/fire	266
- Health & welfare/ambulance	897
- Culture & recreation/summer recreation	14,904
- Culture & recreation/Club King	7,760
- Conservation & development/economic opportunity	10,000

2020:

General fund - General government/financial administration	11,996
- Public safety/fire	480
- Public works/streets	17,269
- Health & welfare/ambulance, COVID	50,200

Possible Effect:

Expenditures in excess of a budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. SDCL 9-21-9 and 9-21-10

Recommendation:

I recommend the City stay within its budget, using contingency transfers and supplemental appropriations to adjust sub-function budget line items when necessary.

Management Response:

In the future, the City expects to make contingency transfers or adopt sufficient supplemental appropriations to cover expenditures that will exceed their original appropriation.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2021-02: Absence of a General Ledger  
(compliance and internal control)

*Criteria:*

SDCL 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions.

*Condition:*

The City does not keep a general ledger, which records all activity for each account for each fund for the year in question. A general ledger will also show that a fund's debits and credits are equal.

*Possible Effect:*

This control deficiency can result in a misstatement of the financial statements that could be prevented or detected.

*Recommendations:*

I recommend the City use the general ledger software module available from its software provide.

*Management Response:*

The City is considering the use of a general ledger software module.

Finding 2021-03: Financial Statement Preparation  
(internal control)  
(first reported in 2015)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

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

*Possible Effect:*

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

*Recommendations:*

This situation is not unusual for an entity of the City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

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