

CITY OF HOVEN
HOVEN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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CITY OF HOVEN
HOVEN, SOUTH DAKOTA
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FOR THE TWO YEARS ENDING DECEMBER 31, 2023

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

INDEPENDENT AUDIT SERVICES, PC

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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, 2023, 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, 2023, 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 2022 and 2023. The 1st and 2nd sales tax fund activity is co-mingled with general and water fund activity. The 1st and 2nd sales tax funds do not have separate fund numbers. The City does not prepare vouchers to support expenditures. A general fund beginning net position debit adjustment of \$53,124.

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.

City of Hoven
Independent Auditor's Report -- Page Three

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.

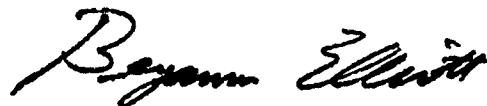
In my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinions" paragraph above, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated December 24, 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

December 24, 2025



CITY OF HOVEN

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

	Primary Government		
	Business-		
	Governmental Activities	Type Activities	Total
<hr/>			
Assets:			
Cash and equivalents	839,495	155,394	994,889
Certificates of deposits	0	316,808	316,808
<hr/>	<hr/>	<hr/>	<hr/>
Total assets	839,495	472,202	1,311,697
	<hr/>	<hr/>	<hr/>
<hr/>			
Net Position:			
Restricted - debt service		47,796	47,796
Restricted - asset replacement		28,435	28,435
Unrestricted	839,495	395,971	1,235,466
<hr/>	<hr/>	<hr/>	<hr/>
Total net position	839,495	472,202	1,311,697
	<hr/>	<hr/>	<hr/>

See accompanying notes.

CITY OF HOVEN

STATEMENT OF ACTIVITIES

MODIFIED CASH BASIS

FOR THE YEAR ENDING DECEMBER 31, 2023

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Reimbursements	Charges for Services and	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities
			Contributions	Contributions	Contributions		Totals
Primary government:							
Governmental activities:							
General government	115,772	1,436				-114,336	-114,336
Public safety	41,672	17,696	8,788			-15,188	-15,188
Public works	283,734	785				-282,949	-282,949
Health and welfare	106,625	13,496	2,899			-90,230	-90,230
Culture and recreation	59,488	60,532				1,044	1,044
Total governmental activities	607,291	93,945	11,687	0	-501,659	0	-501,659
Business-type activities:							
Liquor	517,052	487,113				-29,939	-29,939
Water	171,050	174,417				3,367	3,367
Sewer	100,300	77,238				-23,062	-23,062
Airport	46,541	5,545	12,150	32,901		4,055	4,055
Total business-type activities	834,943	744,313	12,150	32,901	0	-45,579	-45,579
Total primary government	1,442,234	838,258	23,837	32,901	-501,659	-45,579	-547,238
General receipts:							
Taxes:							
Property taxes					164,716	164,716	
Sales taxes					243,795	243,795	
State shared receipts					35,317	35,317	
County shared receipts					6,000	6,000	
Interest received					12,258	6,724	18,982
Donations					87,847		87,847
Insurance settlements					24,993		24,993
Transfers in (out)					0		0
Total general receipts and transfers					574,926	6,724	581,650
Change in net position					73,267	-38,855	34,412
Net position:							
January 1, 2023					766,228	511,057	1,277,285
December 31, 2023					839,495	472,202	1,311,697

See accompanying notes.

CITY OF HOVEN
 STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2022

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	109,429	3,131	11,155		-95,143		-95,143
Public safety	22,012	17,210			-4,802		-4,802
Public works	70,872	1,220	11,155		-58,497		-58,497
Health and welfare	86,615	11,867	14,079		-60,669		-60,669
Culture and recreation	76,956	8,089			-68,867		-68,867
Total governmental activities	365,884	41,517	36,389	0	-287,978	0	-287,978
Business-type activities:							
Liquor	458,415	452,267			-6,148		-6,148
Water	148,605	163,438			14,833		14,833
Sewer	95,501	79,697			-15,804		-15,804
Airport	152,117	11,203		87,143	-53,771		-53,771
Total business-type activities	854,638	706,605	0	87,143	0	-60,890	-60,890
Total primary government	1,220,522	748,122	36,389	87,143	-287,978	-60,890	-348,868
General receipts:							
Taxes:							
Property taxes							
Sales taxes							
State shared receipts							
County shared receipts							
Interest received							
Donations							
Insurance settlements							
Miscellaneous							
Transfers in (out)							
Total general receipts and transfers							
Change in net position							
Net position:							
January 1, 2022							
Beginning balance adjustment							
January 1, 2022, adjusted							
December 31, 2022							

See accompanying notes.

CITY OF HOVEN

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

	General Fund	1st Cent Fund	2nd Cent Fund	Total Governmental Funds
Assets:	-----	-----	-----	-----
Cash and cash equivalents	252,487	420,542	166,466	839,495
	-----	-----	-----	-----
	252,487	420,542	166,466	839,495
Total assets	=====	=====	=====	=====
 Fund Balance:				
Nonspendable				0
Restricted				0
Committed		420,542	166,466	587,008
Assigned				0
Unassigned	252,487			252,487
	-----	-----	-----	-----
Total fund balances	252,487	420,542	166,466	839,495*
	=====	=====	=====	=====

* 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, 2023 AND DECEMBER 31, 2022

	General Fund	1st Cent Fund	2nd Cent Fund	2023 Total	General Fund	1st Cent Fund	2nd Cent Fund	2022 Total
Receipts:								
Receipts from local sources:	-----	-----	-----	-----	-----	-----	-----	-----
Taxes:								
Ad valorem taxes	164,716			164,716	145,577			145,577
General sales and use taxes	73,139	121,897	48,759	243,795	71,605	119,341	47,736	238,682
Licenses and permits:	1,093			1,093	120			120
Intergovernmental receipts:								
Federal grant (fire)	8,788			8,788				0
State grants	2,899			2,899	36,389			36,389
State shared receipts:								
Bank franchise tax	4,745			4,745	6,268			6,268
Liquor tax reversion	2,605			2,605	2,656			2,656
5% Motor vehicle licenses	6,415			6,415	3,810			3,810
Highway and bridge	21,552			21,552	20,960			20,960
County shared receipts:								
Potter ambulance grant	6,000			6,000	6,000			6,000
Charges for goods and services:								
General government	343			343	3,011			3,011
Public safety	17,696			17,696	17,210			17,210
Sanitation	785			785	1,220			1,220
Ambulance	13,496			13,496	11,867			11,867
Pool and parks	60,532			60,532	8,089			8,089
Miscellaneous receipts:								
Interest	8,915	2,470	873	12,258	8,417	685	250	9,352
Donations	87,847			87,847	4,650			4,650
Other				0	6,561			6,561
Total receipts	481,566	124,367	49,632	655,565	354,410	120,026	47,986	522,422
Disbursements:								
Current:								
General government:								
Mayor and Council	10,947			10,947	10,699			10,699
Elections				0				0
Financial administration	104,825			104,825	98,730			98,730
Public safety:								
Police	18,219			18,219	6,557			6,557
Fire	23,453			23,453	15,455			15,455
Public works:								
Highways and streets	280,094			280,094	67,793			67,793
Sanitation	3,640			3,640	3,079			3,079
Health and welfare:								
Ambulance	106,625			106,625	86,615			86,615
Culture and recreation:								
Parks and recreation	59,488			59,488	76,956			76,956
Total disbursements	607,291	0	0	607,291	365,884	0	0	365,884
Excess of receipts over (under) disbursements	-125,725	124,367	49,632	48,274	-11,474	120,026	47,986	156,538
Other financing sources (uses):								
Insurance settlements	24,993			24,993	7,919			7,919
Transfer in (out)	311,682	-233,092	-78,590	0	16,188	-11,225	-4,963	0
Net change in fund balance	210,950	-108,725	-28,958	73,267*	12,633	108,801	43,023	164,457
Fund balance (deficit):								
January 1, 2022					82,028	420,466	152,401	654,895
Beginning balance adjustment					-53,124			-53,124
January 1, 2022, adjusted					28,904	420,466	152,401	601,771
December 31, 2022	41,537	529,267	195,424	766,228	41,537	529,267	195,424	766,228
December 31, 2023	252,487	420,542	166,466	839,495				

* 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, 2023

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
Assets:					
Cash and cash equivalents	-5,245	232,866	127,675	-199,902	155,394
Certificates of deposit		316,808			316,808
Total assets	-5,245	549,674	127,675	-199,902	472,202
 Net Position (deficit):					
Restricted - debt service		34,428	13,368		47,796
Restricted - asset replacement			28,435		28,435
Unrestricted	-5,245	515,246	85,872	-199,902	395,971
Total net position	-5,245	549,674	127,675	-199,902	472,202

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, 2023

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
Operating receipts:	-----	-----	-----	-----	-----
Charges for goods and services	437,121	143,364	55,055	5,545	641,085
Receipts dedicated to debt service		31,053	22,183		53,236
Lottery sales, net	49,992				49,992
Total operating receipts	487,113	174,417	77,238	5,545	744,313
Operating disbursements:	-----	-----	-----	-----	-----
Personal services	129,782	20,073	23,124		172,979
Other current services	88,106	47,093	39,205	12,510	186,914
Cost of goods sold	299,164	69,501			368,665
Capital assets - professional fees				34,031	34,031
Total operating disbursements	517,052	136,667	62,329	46,541	762,589
Net operating receipts (disbursements)	-29,939	37,750	14,909	-40,996	-18,276
Nonoperating receipts (disbursements):	-----	-----	-----	-----	-----
State grant - COVID				12,150	12,150
Interest received	901	5,586		237	6,724
Debt service - principal		-13,860	-16,913		-30,773
Debt service - interest		-20,523	-21,058		-41,581
Total nonoperating receipts (disbursements)	901	-28,797	-37,971	12,387	-53,480
Income (loss) before transfers and capital grants	-29,038	8,953	-23,062	-28,609	-71,756
Federal grant				31,169	31,169
State grant				1,732	1,732
Change in net position	-29,038	8,953	-23,062	4,292	-38,855
Net position (deficit):	-----	-----	-----	-----	-----
January 1, 2023	23,793	540,721	150,737	-204,194	511,057
December 31, 2023	-5,245	549,674	127,675	-199,902	472,202

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, 2022

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	414,617	133,202	57,417	11,203	616,439
Receipts dedicated to debt service		30,236	22,280		52,516
Lottery sales, net	37,650				37,650
	-----	-----	-----	-----	-----
Total operating receipts	452,267	163,438	79,697	11,203	706,605
	-----	-----	-----	-----	-----
Operating disbursements:					
Personal services	120,600	20,432	20,434		161,466
Other current services	43,464	25,465	37,096	20,551	126,576
Cost of goods sold	294,351	68,280			362,631
Capital assets				131,566	131,566
	-----	-----	-----	-----	-----
Total operating disbursements	458,415	114,177	57,530	152,117	782,239
	-----	-----	-----	-----	-----
Net operating receipts (disbursements)	-6,148	49,261	22,167	-140,914	-75,634
Nonoperating receipts (disbursements):					
Interest received	491	5,585		166	6,242
Debt service - principal		-13,905	-16,390		-30,295
Debt service - interest		-20,523	-21,581		-42,104
	-----	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	491	-28,843	-37,971	166	-66,157
Income (loss) before transfers and capital grants	-5,657	20,418	-15,804	-140,748	-141,791
Federal grant				79,978	79,978
State grant				7,165	7,165
	-----	-----	-----	-----	-----
Change in net position	-5,657	20,418	-15,804	-53,605	-54,648
Net position (deficit):					
January 1, 2022	29,450	520,303	166,541	-150,589	565,705
	-----	-----	-----	-----	-----
December 31, 2022	23,793	540,721	150,737	-204,194	511,057
	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF HOVEN

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2023

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total
<hr/>					
Cash flows from:					
Operating activities:					
Receipts from customers	487,113	174,417	77,238	5,545	744,313
Payments to employees	-129,782	-20,073	-23,124		-172,979
Payments to suppliers	-387,270	-116,594	-39,205	-12,510	-555,579
Payments for capital projects				-34,031	-34,031
Net cash provided (used) by operating activities	-----	-----	-----	-----	-----
	-29,939	37,750	14,909	-40,996	-18,276
Noncapital financing activities:					
Transfer in (out)					0
State grant - COVID				12,150	12,150
Capital financing activities:					
Federal grant				31,169	31,169
State grant				1,732	1,732
Debt service - principal		-13,860	-16,913		-30,773
- interest		-20,523	-21,058		-41,581
Investing activities:					
Interest received	901	5,586		237	6,724
Purchase certificate of deposits		-5,586			-5,586
Net increase (decrease) in cash and cash equivalents	-----	-----	-----	-----	-----
	-29,038	3,367	-23,062	4,292	-44,441
Cash and cash equivalents (deficit):					
January 1, 2023	23,793	229,499	150,737	-204,194	199,835
December 31, 2023	-5,245	232,866	127,675	-199,902	155,394
<hr/>					
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	-29,939	37,750	14,909	-40,996	-18,276
Net cash provided (used) by operating activities	-----	-----	-----	-----	-----
	-29,939	37,750	14,909	-40,996	-18,276
<hr/>					
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, 2022

	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total
Cash flows from:					
Operating activities:					
Receipts from customers	452,267	163,438	79,697	11,203	706,605
Payments to employees	-120,600	-20,432	-20,434		-161,466
Payments to suppliers	-337,815	-93,745	-37,096	-20,551	-489,207
Payments for capital projects				-131,566	-131,566
Net cash provided (used) by operating activities	----- -6,148	----- 49,261	----- 22,167	----- -140,914	----- -75,634
Noncapital financing activities:					
Transfer in (out)					0
Capital financing activities:					
Federal grant				79,978	79,978
State grant				7,165	7,165
Debt service - principal	-13,905	-16,390			-30,295
- interest	-20,523	-21,581			-42,104
Investing activities:					
Interest received	491	5,585		166	6,242
Purchase certificate of deposits		-5,585			-5,585
Net increase (decrease) in cash and cash equivalents	----- -5,657	----- 14,833	----- -15,804	----- -53,605	----- -60,233
Cash and cash equivalents (deficit):					
January 1, 2022	29,450	214,666	166,541	-150,589	260,068
December 31, 2022	23,793	229,499	150,737	-204,194	199,835
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	-6,148	49,261	22,167	-140,914	-75,634
Net cash provided (used) by operating activities	----- -6,148	----- 49,261	----- 22,167	----- -140,914	----- -75,634

Noncash investing, capital and
financing activities: None

See accompanying notes.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds included in this report are controlled by or dependent upon the City of Hoven's (City) governing board. At December 31, 2023 City officials are:

Mayor:	Finance Officer:
Norman Stethem	Wendy Rausch
Governing Board:	Attorney:
Robert Rausch, President	John Von Wald
Shaun Frost	
Dan Glodt	
Mike Hobert	
Kevin Johnson	
Lance Stuwe	

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, 2023, 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 \$316,808 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 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 Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		0
Committed	1st Cent fund	Ordinance	420,542
Committed	2nd Cent fund	Ordinance	166,466
Assigned	None		0
Unassigned	General		252,487

			839,495

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:

2023: General fund - General government/financial administration	22,425
- Public safety/fire	7,453
- Highway and streets	30,094
- Health & welfare/ambulance	46,625
- Culture and recreation/parks	14,488
2022: General fund - General government/financial administration	6,330
- Health & welfare/ambulance	6,615
- Culture and recreation/parks	64,456

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, 2023 were as follows: Insured \$286,779, Collateralized ** \$1,022,719 for a total of \$1,309,498.

** 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, 2023 was \$1,311,697 held as follows.

Plains Commerce Bank:

Checking	\$ 36,779
Savings	955,910
Certificates of deposit	316,808

	1,309,497
Petty cash	2,200

	\$ 1,311,697

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, 2023. 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, 2023 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, 2023 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:

2023: For operations:	Governmental	Enterprise
General	311,682	
1st Cent	(233,092)	
2nd Cent	(78,590)	
	-----	-----
	0	0
2022: For operations:	Governmental	Enterprise
General	16,188	
1st Cent	(11,225)	
2nd Cent	(4,963)	
	-----	-----
	0	0

5. RESTRICTED NET POSITION

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

Purpose:	Restricted By:	Governmental	Business-Type
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 judgements, 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 \$710,953. The loan was made to cover the cost of water improvements and is described on page 28. The loan will mature in 2054. In 2023 the loan had pledged revenue of \$37,750 (before capital improvements) and made loan payments of \$34,383.

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 \$248,703. The loan was made to cover the cost of sewer improvements and is described on page 28. The loan will mature in 2051. In 2023 the loan had pledged revenue of \$14,909 (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, 2023 the bonds have a remaining balance of \$406,074. 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 2023 the bonds had surcharge revenue of \$22,183 and made bond payments of \$24,603.

9. DEFICIT FUND BALANCE

At December 31, 2023 the liquor fund had a deficit fund balance of \$5,245. This is expected to be corrected in 2024 and future years from operations and transfers in from other funds.

At December 31, 2023 the airport fund had a deficit fund balance of \$199,902. This is expected to be corrected in 2024 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 Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdtrs.sd.gov/publications.aspx> or calling (605) 773-3731.

Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

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

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

Legislation enacted in 2017 established the current COLA process. At each valuation date:

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

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent. All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2023, 2022 and 2021 were \$9,301, \$8,261, and \$8,005 respectively (employer's share) equal to the required contribution each year.

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

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

Proportionate share of total pension liability	\$ 796,698
Less: Proportionate share of net position restricted for pension benefits	(797,235)

Proportionate share of net pension (asset)/liability	\$ (537)
	=====

The net pension (asset) was measured as of June 30, 2023 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .00005498 which is a decrease of .00000098 over its proportion measured as of June 30, 2022.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
Active and Terminated Vested Members:	
Teachers, Certified Regents, and Judicial:	Pub T-2010
Other Class A Members:	Pub G-2010
Public Safety Members:	Pub S-2010
Retired Members:	
Teachers, Certified Regents, and Judicial Retirees:	Pub T-2010, 108% of rates above age 65
Other Class A Retirees:	Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees:	Pub S-2010, 102% of rate at all ages
Beneficiaries:	
Pub G-2010 contingent survivor mortality table	
Disabled Members:	
Public Safety:	Pub S-2010 disabled member mortality table
Others:	Pub G-2010 disabled member mortality table

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

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent

man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment grade debt	22.8%	1.7%
High Yield debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9	0.8%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

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

	Current Discount		1% Increase Rate 7.50%
	1% Decrease 5.50%	Rate 6.50%	
City's proportionate share of the net pension (asset)/liability		\$109,990	\$(536) \$(90,926)

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 installments 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, 2023 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, 2023 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 2024 the City agreed to purchase an ambulance for \$301,795.

CITY OF HOVEN

FOR THE TWO YEARS ENDING DECEMBER 31, 2023
SUPPLEMENTARY SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

	2022 Beginning 12-31-21	2022 Additions (Deletions)	2023 Additions (Deletions)	Governmental Ending 12-31-23	Business-Type Ending 12-31-23	Principal Due In 2024
BUSINESS-TYPE - DIRECT BORROWING						
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	260,005		-5,567		-5,735	
						248,703
						5,907
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	738,761		-13,904		-13,904	
						710,953
						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	428,074		-10,822		-11,178	
						406,074
						11,546
Totals	1,426,840		-30,293		-30,817	
					0	1,365,730
						30,811

CITY OF HOVEN

FOR THE TWO YEARS ENDING DECEMBER 31, 2023

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

Payment Schedules:	Total			Remaining Balance
	Payment	Principal	Interest	
2012 USDA-RD Sewer Project Revenue Bond:				
2024	13,368	5,907	7,461	242,796
2025	13,368	6,084	7,284	236,712
2026	13,368	6,267	7,101	230,445
2027	13,368	6,455	6,913	223,990
2028	13,368	6,648	6,720	217,342
2029-2033	66,840	36,355	30,485	180,987
2034-2038	66,840	42,146	24,694	138,841
2039-2043	66,840	48,859	17,981	89,982
2044-2048	66,840	56,641	10,199	33,341
2049-2051	35,218	33,341	1,877	0
	=====	=====	=====	=====
Totals	369,418	248,703	120,715	
	=====	=====	=====	=====
2014 USDA-RD Water Project Revenue Bond:				
2024	34,428	13,358	21,070	697,595
2025	34,428	15,244	19,184	682,351
2026	34,428	15,663	18,765	666,688
2027	34,428	16,094	18,334	650,594
2028	34,428	16,537	17,891	634,057
2029-2033	172,140	89,760	82,380	544,297
2034-2038	172,140	102,800	69,340	441,497
2039-2043	172,140	117,734	54,406	323,763
2044-2048	172,140	134,837	37,303	188,926
2049-2053	172,140	154,426	17,714	34,500
'2053-2054	35,449	34,500	949	0
	=====	=====	=====	=====
Totals	1,068,289	710,953	357,336	
	=====	=====	=====	=====
2016 Clean Water Borrower Bond:				
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	24,603	12,723	11,880	357,562
2028	24,603	13,141	11,462	344,421
2029-2033	123,016	72,484	50,532	271,937
2034-2038	123,016	85,218	37,798	186,719
2039-2043	123,016	100,188	22,828	86,531
2044-2047	92,557	86,531	6,026	0
	=====	=====	=====	=====
Totals	584,620	406,074	178,546	
	=====	=====	=====	=====

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

GENERAL FUND	Budgeted Amounts					Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final	Actual	
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	166,388			166,388	164,716	-1,672
Sales tax	25,000			25,000	73,139	48,139
Lenses and permits:				0	1,093	1,093
Intergovernmental receipts:						
Federal grant - fire				0	8,788	8,788
State grants				0	2,899	2,899
State shared receipts:						
Bank franchise tax				0	4,745	4,745
Liquor tax reversion				0	2,605	2,605
Motor vehicle licenses (5%)				0	6,415	6,415
Highway and bridge				0	21,552	21,552
County shared receipts:						
Potter County ambulance grant				0	6,000	6,000
Charges for goods and services:						
General government				0	343	343
Public safety				0	17,696	17,696
Sanitation				0	785	785
Ambulance				0	13,496	13,496
Pool and parks				0	60,532	60,532
Miscellaneous receipts:						
Interest received				0	8,915	8,915
Donations	130,000			130,000	87,847	-42,153
Total receipts	321,388	0	0	321,388	481,566	160,178
Disbursements:						
General government:						
Mayor and Council	14,000			14,000	10,947	3,053
Contingency	6,000			6,000		6,000
Amount transferred				0		0
Elections	1,000			1,000		1,000
Financial administration	82,400			82,400	104,825	-22,425
Public safety:						
Police	30,000			30,000	18,219	11,781
Fire	16,000			16,000	23,453	-7,453
Public works:						
Highways and streets	250,000			250,000	280,094	-30,094
Sanitation	7,500			7,500	3,640	3,860
Health and welfare:						
Ambulance	60,000			60,000	106,625	-46,625
Culture and recreation:						
Parks and recreation	45,000			45,000	59,488	-14,488
Conservation and development:						
Economic opportunity	1,095			1,095		1,095
Total disbursements	512,995	0	0	512,995	607,291	-94,296
Excess of receipts over (under) disbursements	-191,607	0	0	-191,607	-125,725	65,882
Other financing sources (uses):						
Insurance settlements				0	24,993	24,993
Transfer in	186,607			186,607	311,682	125,075
Net change in fund balance	-5,000	0	0	-5,000	210,950	215,950
Fund balance:						
January 1, 2023	41,537			41,537	41,537	0
December 31, 2023	36,537	0	0	36,537	252,487	215,950

CITY OF HOVEN
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2022

		Budgeted Amounts				Variance Positive (Negative)	
GENERAL FUND		Original	Contingency Transfers	Supplemental	Final	Actual	
Receipts:							
Receipts from local sources:							
Taxes:							
Ad valorem taxes	155,075				155,075	145,577	-9,498
Sales tax	84,000				84,000	71,605	-12,395
Licenses and permits:					0	120	120
Intergovernmental receipts:							
State grants	80,000				80,000	36,389	-43,611
State shared receipts:							
Bank franchise tax					0	6,268	6,268
Liquor tax reversion					0	2,656	2,656
Motor vehicle licenses (5%)					0	3,810	3,810
Highway and bridge					0	20,960	20,960
County shared receipts:							
Potter County ambulance grant					0	6,000	6,000
Charges for goods and services:							
General government					0	3,011	3,011
Public safety					0	17,210	17,210
Sanitation					0	1,220	1,220
Ambulance					0	11,867	11,867
Pool and parks	30,000				30,000	8,089	-21,911
Miscellaneous receipts:							
Interest received					0	8,417	8,417
Donations					0	4,650	4,650
Other					0	6,561	6,561
Total receipts	349,075	0	0	349,075	354,410	5,335	
Disbursements:							
General government:							
Mayor and Council	14,000			14,000	10,699	3,301	
Contingency	6,000			6,000		6,000	
Amount transferred				0		0	
Elections	500			500		500	
Financial administration	92,400			92,400	98,730	-6,330	
Public safety:							
Police	30,000			30,000	6,557	23,443	
Fire	16,000			16,000	15,455	545	
Public works:							
Highways and streets	140,000			140,000	67,793	72,207	
Sanitation	4,000			4,000	3,079	921	
Health and welfare:							
Ambulance	80,000			80,000	86,615	-6,615	
Culture and recreation:							
Parks and recreation	12,500			12,500	76,956	-64,456	
Conservation and development:							
Economic opportunity	1,095			1,095		1,095	
Total disbursements	396,495	0	0	396,495	365,884	30,611	
Excess of receipts over (under) disbursements	-47,420	0	0	-47,420	-11,474	35,946	
Other financing sources (uses):							
Insurance settlements				0	7,919	7,919	
Transfer in	161,420			161,420	16,188	-145,232	
Net change in fund balance	114,000	0	0	114,000	12,633	-101,367	
Fund balance:							
January 1, 2022, adjusted	28,904			28,904	28,904	0	
December 31, 2022	142,904	0	0	142,904	41,537	-101,367	

CITY OF HOVEN
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

1st CENT SALES TAX FUND		Budgeted Amounts			Actual	Variance
(Reserved for streets, water, and sewer capital improvements)		Original	Supplementals	Final	(Modified Cash Basis)	Positive (Negative)
Receipts:						
Receipts from local sources:						
Taxes:						
Sales and use tax	90,000			90,000	121,897	31,897
Miscellaneous receipts:						
Interest received				0	2,470	2,470
Total receipts	90,000	0		90,000	124,367	34,367
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	124,367	124,367
Other financing sources (uses):						
Transfer in (out)				0	-233,092	-233,092
Change in fund balance	0	0		0	-108,725	-108,725
Fund balance:						
January 1, 2023	529,267			529,267	529,267	0
December 31, 2023	529,267	0		529,267	420,542	-108,725

1st CENT SALES TAX FUND		Budgeted Amounts			Actual	Variance
(Reserved for streets, water, and sewer capital improvements)		Original	Supplementals	Final	(Modified Cash Basis)	Positive (Negative)
Receipts:						
Receipts from local sources:						
Taxes:						
Sales and use tax	75,000			75,000	119,341	44,341
Miscellaneous receipts:						
Interest received				0	685	685
Total receipts	75,000	0		75,000	120,026	45,026
Disbursements:						
Public works:						
Street, Water, Sewer improve	75,000			75,000		75,000
Total disbursements	75,000	0		75,000	0	75,000
Excess of receipts over (under) disbursements	0	0		0	120,026	120,026
Other financing sources (uses):						
Transfer in (out)				0	-11,225	-11,225
Change in fund balance	0	0		0	108,801	108,801
Fund balance:						
January 1, 2022	420,466			420,466	420,466	0
December 31, 2022	420,466	0		420,466	529,267	108,801

CITY OF HOVEN
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

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	75,000		75,000	48,759	-26,241		
Miscellaneous receipts:							
Interest received			0	873	873		
Total receipts	75,000	0	75,000	49,632	-25,368		
Disbursements:							
Total disbursements	75,000	0	75,000	0	75,000		
Excess of receipts over (under) disbursements	0	0	0	49,632	49,632		
Other financing sources (uses):							
Transfer in (out)			0	-78,590	-78,590		
Change in fund balance	0	0	0	-28,958	-28,958		
Fund balance:							
January 1, 2023	195,424		195,424	195,424	0		
December 31, 2023	195,424	0	195,424	166,466	-28,958		
2nd CENT SALES TAX FUND (Reserved for ambulance and hospital cost)							
Receipts:	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)		
	Original	Supplementals	Final				
Receipts from local sources:							
Taxes:							
Sales and use tax	90,000		90,000	47,736	-42,264		
Miscellaneous receipts:							
Interest received			0	250	250		
Total receipts	90,000	0	90,000	47,986	-42,014		
Disbursements:							
Total disbursements	90,000	0	90,000	0	90,000		
Excess of receipts over (under) disbursements	0	0	0	47,986	47,986		
Other financing sources (uses):							
Transfer in (out)			0	-4,963	-4,963		
Change in fund balance	0	0	0	43,023	43,023		
Fund balance:							
January 1, 2022	152,401		152,401	152,401	0		
December 31, 2022	152,401	0	152,401	195,424	43,023		

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, 2023

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 no supplemental budgets in 2022 or 2023. 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 TEN YEARS ENDING DECEMBER 31, 2023

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE

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

City's

Proportionate

Share of the

Fiduciary

Net Pension

Pension Plan

City's

Covered

(Asset)

Liability as a

as a

Employee

Payroll

Percentage of

its Covered

Percentage of

SDRS

Measurement Date

Year Ended (1)

City's

Percentage

of the

Pension Plan

Proportionate

Share of

Net Pension

(Asset)

for its

Employee

Payroll

6-30

Year End

Liability as a

Percentage of

its Covered

as a

the Total

June 30, 2023	0.0054980%	-537	141,800	(00.38%)	100.10%
June 30, 2022	0.0055960%	-529	133,617	(00.40%)	100.10%
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.

CITY OF HOVEN

FOR THE TEN YEARS ENDING DECEMBER 31, 2023

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS

TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's

Covered

Contributions

Employee

as a

Payroll

Percentage of

Related to the

Contractually

Contribution

for its

Covered

City's

Year Ended

Contractually

Required

Contribution

Contributions

Required

Contribution

Deficiency

(Excess)

Employee

Calendar

Year End

Employee

Payroll

December 31, 2023	9,301	9,301	0	155,017	6.00%
December 31, 2022	8,261	8,261	0	137,683	6.00%
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	128,979	6.17%

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

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, 2023

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

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

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

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

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

Governing Board
City of 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, 2023 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 December 24, 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 identify a deficiency in internal control that I consider to be a material weakness described in the accompanying schedule of current audit findings and responses as item 2023-02. Additional, material weaknesses or significant deficiencies may exist that have not been identified.

I also identified deficiencies in internal control, described in the accompanying schedule of current audit findings and responses, that I consider to be a significant deficiency. I consider deficiencies described in the accompanying schedule of current audit findings and responses as items 2023-01 and -03 to be significant deficiencies.

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 December 24, 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 2023-01 and 2023-02.

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 December 24, 2025.

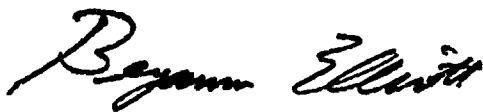
Purpose of this Report

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

December 24, 2025



CITY OF HOVEN
DECEMBER 31, 2023

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:

2021-01: [Budget Overdrafts] -- Repeated below

2021-02: [Absence of a General ledger] -- Repeated below

2021-03: [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 2023-01, -02

Internal control over financial reporting:

* Material weakness(es) identified? Item 2023-02

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

Items 2023-01, and -03

Finding 2023-01: 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 2023 and 2022 the City exceeded its appropriation in the following areas:

2023: General fund - General government/financial administration	22,425
- Public safety/fire	7,453
- Highway and streets	30,094
- Health & welfare/ambulance	46,625
- Culture and recreation/parks	14,488
2022: General fund - General government/financial administration	6,330
- Health & welfare/ambulance	6,615
- Culture and recreation/parks	64,456

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.

CITY OF HOVEN
DECEMBER 31, 2023

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2023-02: Absence of General Ledger and Vouchers
(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. Also, the City does not prepare vouchers to support expenditures.

Possible Effect:

These control deficiencies 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 provider and prepare vouchers to support expenditures.

Management Response:

The City is considering these recommendations.

Finding 2023-03: 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.