

**MUNICIPALITY OF HUMBOLDT
HUMBOLDT, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022
AND
FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HUMBOLDT

MUNICIPAL OFFICIALS
DECEMBER 31, 2023

GOVERNING BOARD:

Ritchy Griep – President
Amber Bailey-Froke – Vice-President
Julian Gambs
Theresa Muth
Kelly O’Gorman

FINANCE OFFICER:

Kristie Ellis

ATTORNEY:

Patrick Glover

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S 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
Municipality of Humboldt
Humboldt, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Humboldt, South Dakota (Municipality), as of December 31, 2023 and December 31, 2022, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated June 24, 2025, which was adverse because we were unable to determine the accuracy of many of the Balance Sheet accounts and many of these amounts also affect the proper reporting of revenue and expenditures/expenses.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompany Schedule of Current Audit Findings as items 2023-001 and 2023-002 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Audit Findings as item 2023-003, 2023-004, and 2023-005.

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 24, 2025

Schoenfish & Co., Inc.

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P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2023-001.

Finding Number 2021-002:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This comment has not been corrected and is restated as current audit finding number 2023-002.

Finding Number 2021-003:

The budget was overspent for the Third Penny Fund in 2019 and General Fund in 2021. Expenditures were in excess of the amounts budgeted in several departments in the General Fund for 2020 and 2021 and in the Third Penny Fund for 2020. This comment has not been corrected and a similar finding is restated as current audit finding number 2023-004.

Finding Number 2021-004:

The Municipality borrowed money on a promissory note with terms contrary to state statute. This comment has not been corrected and is restated as current audit finding number 2023-005.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2023-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 2003.

Criteria:

Proper segregation of duties results and municipal records results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business, The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

There is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Humboldt officials be cognizant of this lack of segregation of duties for revenues and attempt to develop policies and provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:

The Municipality of Humboldt President, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. This comment is due to the expertise of staff and the size of the Municipality of Humboldt, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Finding Number 2023-002:

Condition:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This has been a continuing audit comment since 2013.

Criteria:

Accurate and complete financial information must be presented to be useful to the users of these statements.

Cause of Condition:

Significant errors and omissions were noted in the annual financial statements. The errors and omissions include:

- a. Special assessment and nuisance properties receivables should be adjusted at year-end.
- b. Accounts receivables and Due from Other Governments were not properly adjusted at year-end, resulting in material misstatements.
- c. SRF bond payments and receipts were not adjusted or recorded properly. No balance sheet adjustments were recorded for any long-term liabilities paid during 2022 or 2023.
- d. General capital asset records, enterprise fund capital asset, and depreciation records were not properly adjusted at year-end.
- e. The banking activity of the ball diamond project was not recorded on the records in 2022 or 2023.
- f. Several coding errors were noted for state and county revenue received.
- g. Expenses paid in December of each year were not analyzed to determine if prepaid expenses exist.
- h. Annual inventories of supplies for all departments were not done or amounts recorded on the financial statements.

Potential Effect of Condition:

As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:

2. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles.

Management's Response:

The Municipality of Humboldt President, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Compliance – Related Finding:

Finding Number 2023-003:

Condition:

The Municipality made long term liability payments out of the Third Penny Sales Tax Fund which is contrary to state statute. This is the first audit in which a similar finding has been reported.

Criteria:

SDCL 10-52A-2 states, "Any municipality may impose an additional municipal non-ad valorem tax at the rate of one percent upon the gross receipts of all leases or rentals of hotel, motel, campsites, or other lodging accommodations within the municipality for periods of less than twenty-eight consecutive days, or sales of alcoholic beverages as defined in SDCL 35-1-1, or establishments where the public is invited to eat, dine, or purchase and carry out prepared food for immediate consumption, or ticket sales or admissions to places of amusement, athletic, and cultural events, or any combination thereof. The tax shall be levied for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities, attractions, and activities.

Cause of Condition:

In 2022 the Municipality paid off sales tax revenue bonds from the Third Penny Sales Tax Fund.

Potential Effect of Condition:

The use of Third Penny Funds for purposes not allowed in state statute causes the Municipality to not have funds available for the intended purposes of the fund.

Recommendation:

3. We recommend that the Municipality follow state statute and spend out of the Third Penny Sales Tax Fund as only allowed by state statute.

Client's Response:

The Municipality of Humboldt President, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the spending guidelines as outlined in state statute.

Finding Number 2023-004:

Condition:

Expenditures exceeded the amounts budgeted in several departments in the General Fund in 2022 and 2023 and in the Special Assessments in 2023. This has been a continuing audit comment since 2005.

Criteria:

SDCL 9-25-12 states in part, "Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Cause of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Potential Effect of Condition:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

4. We recommend that the expenditures be limited to amounts budget supplements be made in accordance with SDCL 9-21-7 and 9-21-9 to allow for expenditures.

Client's Response:

The Municipality of Humboldt President, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. We will be more careful to follow the budgetary guidelines prescribed by law.

Finding Number 2023-005:Condition:

The Municipality borrowed money on a promissory note with terms contrary to state statute. This is a continuing audit comment since 2021.

Criteria:

SDCL 9-25-12 states in part, "A municipality may borrow money from any source willing to lend the money by issuing a promissory note subject to the limitations set forth in in SDCL 9-25-13 and 9-25-16, inclusive...No election is required and the notes may not be issued for a term in excess of five years."

Cause of Condition:

The Municipality borrowed money on a promissory note with a term of 10 years, which is contrary to SDCL 9-25-12.

Potential Effect of Condition:

If the notes authorized by SDCL 9-25-12 have been issued and not paid in full within the term provided in SDCL 9-25-12, then thereafter no cash receipts may be expended for any purpose except the retirement of principal and interest of notes outstanding against that fund, until all such notes are retired.

Recommendation:

5. We recommend that borrowings of the Municipality be limited to the terms of state statute.

Client's Response:

The Municipality of Humboldt President, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. We will revisit this matter and try to resolve the problem.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and at the conclusion of the audit.

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CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Humboldt
Humboldt, South Dakota

Adverse Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Humboldt, South Dakota, (Municipality) as of December 31, 2023, and December 31, 2022 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Municipality of Humboldt as of December 31, 2023 and December 31, 2022, and the respective changes in financial position and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

The Balance Sheet accounts are not adjusted to the actual balances at year end for both years and we were unable to determine the accuracy of many of the balances reported beyond the fact that material misstatements exist. Also, many of those amounts affect the proper reporting of revenue and expenditures/expenses.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

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P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2025 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
June 24, 2025

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MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	1,001,999.97	756,624.17	1,758,624.14
Investments		52,005.00	52,005.00
Accounts Receivable, Net	296,660.28	128,823.64	425,483.92
Net Pension Asset	261.81	301.57	563.38
Capital Assets:			
Land	189,690.18	62,250.00	251,940.18
Other Capital Assets, Net of Depreciation	1,221,117.99	7,580,575.10	8,801,693.09
TOTAL ASSETS	2,709,730.23	8,580,579.48	11,290,309.71
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	20,440.76	23,545.26	43,986.02
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,440.76	23,545.26	43,986.02
LIABILITIES :			
Accounts Payable		306,919.73	306,919.73
Other Current Liabilities	15,940.89	19,100.00	35,040.89
Unearned Revenue	3,327.73		3,327.73
Noncurrent Liabilities:			
Due Within One Year	12,699.82	94,116.56	106,816.38
Due in More than One Year	80,279.40	2,459,846.12	2,540,125.52
TOTAL LIABILITIES	112,247.84	2,879,982.41	2,992,230.25
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	13,325.16	15,348.96	28,674.12
TOTAL DEFERRED INFLOWS OF RESOURCES	13,325.16	15,348.96	28,674.12
NET POSITION:			
Net Investment in Capital Assets	1,321,630.69	5,089,515.12	6,411,145.81
Restricted for:			
Capital Projects Purposes	94,050.85		94,050.85
Debt Service Purposes	438,104.62	36,140.00	474,244.62
SDRS Pension Purposes	7,377.41	8,497.87	15,875.28
Economic Development Purposes	2,400.00		2,400.00
Park Purposes	12,184.41		12,184.41
Equipment Repair Replacement		96,329.33	96,329.33
Unrestricted (Deficit)	728,850.01	478,311.05	1,207,161.06
TOTAL NET POSITION	2,604,597.99	5,708,793.37	8,313,391.36

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	115,532.27	26,369.88			(89,162.39)	(89,162.39)
Public Safety	44,268.80				(44,268.80)	(44,268.80)
Public Works	231,943.33		70,981.41	10,652.16	(150,309.76)	(150,309.76)
Health and Welfare	12,648.85		277.41		(12,371.44)	(12,371.44)
Culture and Recreation	152,992.05	1,751.00			(151,241.05)	(151,241.05)
Conservation and Development	11,851.82				(11,851.82)	(11,851.82)
*Interest on Long-term Debt	1,417.97				(1,417.97)	(1,417.97)
Total Governmental Activities	570,655.09	28,120.88	71,258.82	10,652.16	(460,623.23)	(460,623.23)
Business-type Activities:						
Water	210,419.33	157,515.22		121,820.79		68,916.68
Sewer	254,194.76	156,178.62		165,607.02		67,590.88
Natural Gas	349,490.70	438,737.28				89,246.58
Total Business-type Activities	814,104.79	752,431.12	0.00	287,427.81	225,754.14	225,754.14
Total Primary Government	1,384,759.88	780,552.00	71,258.82	298,079.97	(460,623.23)	(234,869.09)
General Revenues:						
Taxes:						
Property Taxes					204,051.15	204,051.15
Sales Taxes					328,556.61	328,556.61
State Shared Revenues					12,380.52	12,380.52
Grants and Contributions not Restricted to Specific Programs					3,138.00	3,138.00
Unrestricted Investment Earnings					854.50	925.43
Miscellaneous Revenue					29,286.38	30,786.38
Total General Revenues					578,267.16	579,838.09
Change in Net Position					117,643.93	344,969.00
Net Position - Beginning					2,486,954.06	7,968,422.36
NET POSITION - ENDING					2,604,597.99	8,313,391.36

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	732,883.37	17,406.66	91,006.05	10,165.26	2,400.00	148,138.63	1,001,999.97
Taxes Receivable--Delinquent	9,907.63						9,907.63
Accounts Receivable, Net			3,044.80				3,044.80
Special Assessments Receivable--Current						34,874.88	34,874.88
Special Assessments Receivable--Delinquent						1,796.43	1,796.43
Special Assessments Receivable--Deferred						235,888.02	235,888.02
Due from Other Governments	9,129.37			2,019.15			11,148.52
TOTAL ASSETS	751,920.37	17,406.66	94,050.85	12,184.41	2,400.00	420,697.96	1,298,660.25
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accrued Wages Payable	15,940.89						15,940.89
Unearned Revenue	3,327.73						3,327.73
Total Liabilities	19,268.62	0.00	0.00	0.00	0.00	0.00	19,268.62
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	9,907.63					272,559.33	9,907.63
Unavailable Revenue--Special Assessments							272,559.33
Total Deferred Inflows of Resources	9,907.63	0.00	0.00	0.00	0.00	272,559.33	282,466.96
Fund Balances:							
Restricted for Capital Projects			94,050.85				94,050.85
Restricted for Debt Service		17,406.66				148,138.63	165,545.29
Restricted for Parks Purposes				12,184.41			12,184.41
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,978.66						1,978.66
Assigned for Baseball Field Turf Debt Service	16,319.55						16,319.55
Unassigned	704,445.91						704,445.91
Total Fund Balances	722,744.12	17,406.66	94,050.85	12,184.41	2,400.00	148,138.63	996,924.67
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	751,920.37	17,406.66	94,050.85	12,184.41	2,400.00	420,697.96	1,298,660.25

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2023

Total Fund Balances - Governmental Funds	<u>996,924.67</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>261.81</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,410,808.17</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>20,440.76</u>
Long-term liabilities, including notes payable, bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(92,979.22)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>282,466.96</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(13,325.16)</u>
Net Position - Governmental Activities	<u><u>2,604,597.99</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	200,501.81						200,501.81
General Sales and Use Taxes	303,682.65			24,873.96			328,556.61
Penalties and Interest on Delinquent Taxes	273.77						273.77
Licenses and Permits	7,265.22						7,265.22
Intergovernmental Revenue:							
State Grants	277.41						277.41
State Shared Revenue:							
Bank Franchise Tax	8,400.64						8,400.64
Liquor Tax Reversion	3,979.88						3,979.88
Motor Vehicle Licenses	6,328.49						6,328.49
Local Government Highway and Bridge Fund	6,805.24						6,805.24
County Shared Revenue:							
County Road Tax	2,102.58						2,102.58
County Highway & Bridge Reserve Tax	6,105.22						6,105.22
County Wheel Tax	1,540.34						1,540.34
Charges for Goods and Services:							
General Government	15,344.66						15,344.66
Culture and Recreation	1,751.00						1,751.00
Miscellaneous Revenue:							
Investment Earnings	854.50						854.50
Rentals	3,760.00						3,760.00
Special Assessments						50,063.86	50,063.86
Maintenance Assessments			48,099.54				48,099.54
Contributions and Donations from Private Sources	3,138.00						3,138.00
Other	25,115.00						25,115.00
Total Revenue	597,226.41	0.00	48,099.54	24,873.96	0.00	50,063.86	720,263.77

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	19,343.98						19,343.98
Elections	1,344.97						1,344.97
Financial Administration	85,270.13						85,270.13
Other	4,424.19						4,424.19
Total General Government	110,383.27	0.00	0.00	0.00	0.00	0.00	110,383.27
Public Safety:							
Police	28,574.48						28,574.48
Fire	12,966.54						12,966.54
Total Public Safety	41,541.02	0.00	0.00	0.00	0.00	0.00	41,541.02
Public Works:							
Highways and Streets	125,580.79		64,038.57				189,619.36
Sanitation	3,155.84						3,155.84
Natural Gas	2,179.91						2,179.91
Total Public Works	130,916.54	0.00	64,038.57	0.00	0.00	0.00	194,955.11
Health and Welfare:							
Humane Society	1,052.45						1,052.45
Ambulance	11,596.40						11,596.40
Total Health and Welfare	12,648.85	0.00	0.00	0.00	0.00	0.00	12,648.85
Culture and Recreation:							
Recreation	5,263.78						5,263.78
Parks	75,311.58						75,311.58
Auditorium	34,328.43						34,328.43
Museums	1,798.05						1,798.05
Total Culture and Recreation	116,701.84	0.00	0.00	0.00	0.00	0.00	116,701.84
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	11,851.82						11,851.82
Total Conservation and Development	11,851.82	0.00	0.00	0.00	0.00	0.00	11,851.82
Debt Service	0.00						
Capital Outlay	24,024.00			7,000.00		91,562.50	98,562.50
Total Expenditures	448,067.34	0.00	64,038.57	7,000.00	0.00	91,562.50	610,668.41
Net Change in Fund Balances	149,159.07	0.00	(15,939.03)	17,873.96	0.00	(41,498.64)	109,595.36
Fund Balance - Beginning	573,585.05	17,406.66	109,989.88	(5,689.55)	2,400.00	189,637.27	887,329.31
FUND BALANCE - ENDING	722,744.12	17,406.66	94,050.85	12,184.41	2,400.00	148,138.63	996,924.67

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	<u>109,595.36</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	<u>24,024.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(78,024.83)</u>
The receipt of donated liability payments is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	<u>4,171.38</u>
Payment of principal on long-term liabilities is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>97,144.53</u>
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>3,275.57</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(39,411.70)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(2,918.25)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)	<u>210.93</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(423.06)</u>
Change in Net Position of Governmental Activities	<u><u>117,643.93</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	335,222.07	234,985.13	186,416.97	756,624.17
Investments	34,200.00	17,805.00		52,005.00
Accounts Receivable, Net	18,084.31	16,604.04	78,129.83	112,818.18
Accrued Tax Asset			16,005.46	16,005.46
Total Current Assets	387,506.38	269,394.17	280,552.26	937,452.81
Noncurrent Assets:				
Net Pension Asset	58.65	38.59	204.33	301.57
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	888,339.32	6,657,946.10	734,955.95	8,281,241.37
Machinery and Equipment	101,722.25	26,091.91	123,131.81	250,945.97
Construction Work in Progress	236,016.79	352,482.19		588,498.98
Less: Accumulated Depreciation	(442,690.55)	(717,375.23)	(380,045.44)	(1,540,111.22)
Total Noncurrent Assets	785,696.46	6,379,183.56	478,246.65	7,643,126.67
TOTAL ASSETS	1,173,202.84	6,648,577.73	758,798.91	8,580,579.48
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	4,579.47	3,012.62	15,953.17	23,545.26
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,579.47	3,012.62	15,953.17	23,545.26
LIABILITIES:				
Current Liabilities:				
Accounts Payable	95,372.14	211,547.59		306,919.73
Customer Deposits	4,775.00	4,775.00	9,550.00	19,100.00
Bonds Payable Current:				
Revenue	39,868.30	53,595.56		93,463.86
Compensated Absences Payable -- Current			652.70	652.70
Total Current Liabilities	140,015.44	269,918.15	10,202.70	420,136.29
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	314,512.35	2,145,333.77		2,459,846.12
Total Noncurrent Liabilities	314,512.35	2,145,333.77	0.00	2,459,846.12
TOTAL LIABILITIES	454,527.79	2,415,251.92	10,202.70	2,879,982.41
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	2,985.32	1,963.90	10,399.74	15,348.96
TOTAL DEFERRED INFLOWS OF RESOURCES	2,985.32	1,963.90	10,399.74	15,348.96
NET POSITION:				
Net Investment in Capital Assets	431,257.16	4,180,215.64	478,042.32	5,089,515.12
Restricted For:				
Revenue Bond Debt Service	36,140.00			36,140.00
Equipment Repair and/or Replacement	6,000.00	53,071.58	37,257.75	96,329.33
SDRS Pension Purposes	1,652.80	1,087.31	5,757.76	8,497.87
Unrestricted	245,219.24		233,091.81	478,311.05
TOTAL NET POSITION	720,269.20	4,234,374.53	754,149.64	5,708,793.37

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	79,788.72	34,654.57	394,711.78	509,155.07
Revenue Dedicated to Servicing Debt	73,866.46	120,947.11		194,813.57
Miscellaneous	3,860.04	576.94	44,025.50	48,462.48
Total Operating Revenue	157,515.22	156,178.62	438,737.28	752,431.12
Operating Expenses:				
Personal Services	19,873.79	20,341.35	76,724.68	116,939.82
Other Current Expense	112,561.11	44,652.57	79,389.29	236,602.97
Materials (Cost of Goods Sold)	43,972.46		170,025.95	213,998.41
Depreciation	27,339.59	137,008.01	23,350.78	187,698.38
Total Operating Expenses	203,746.95	202,001.93	349,490.70	755,239.58
Operating Income (Loss)	(46,231.73)	(45,823.31)	89,246.58	(2,808.46)
Nonoperating Revenue (Expense):				
Investment Earnings		70.93		70.93
Rental Revenue	1,500.00			1,500.00
Interest Expense	(6,672.38)	(52,192.83)		(58,865.21)
Total Nonoperating Revenue (Expense)	(5,172.38)	(52,121.90)	0.00	(57,294.28)
Income (Loss) Before Contributions	(51,404.11)	(97,945.21)	89,246.58	(60,102.74)
Income (Loss) Before Contributions				
Capital Contributions	121,820.79	165,607.02		287,427.81
Change in Net Position	70,416.68	67,661.81	89,246.58	227,325.07
Net Position - Beginning	649,852.52	4,166,712.72	664,903.06	5,481,468.30
NET POSITION - ENDING	720,269.20	4,234,374.53	754,149.64	5,708,793.37

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Natural Gas Fund
			Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	157,015.65	156,102.47	442,320.82
Cash Payments to Employees for Services	(19,582.33)	(19,926.71)	(76,079.86)
Cash Payments to Suppliers of Goods and Services	(156,533.57)	(44,652.57)	(263,144.08)
Net Cash Provided (Used) by Operating Activities	(19,100.25)	91,523.19	103,096.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt	137,263.00	135,463.00	
Capital Contributions	121,820.79	165,607.02	
Purchase of Capital Assets	(144,662.36)	(156,503.02)	(64,266.52)
Principal Paid on Capital Debt	(38,730.18)	(52,216.38)	
Interest Paid on Capital Debt	(6,672.38)	(52,192.83)	
Other Receipts (Payments)	1,500.00		
Net Cash Provided (Used) by Capital and Related Financing Activities	70,518.87	40,157.79	(64,266.52)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest		70.93	
Net Cash Provided (Used) by Investing Activities	0.00	70.93	0.00
Net Increase (Decrease) in Cash and Cash Equivalents	51,418.62	131,751.91	38,830.36
Balances - Beginning	318,003.45	121,038.22	147,586.61
Balances - Ending	369,422.07	252,790.13	186,416.97

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	(46,231.73)	(45,823.31)	89,246.58	(2,808.46)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	27,339.59	137,008.01	23,350.78	187,698.38
(Increase) decrease in Receivables	(1,249.57)	(826.15)	2,083.54	7.82
(Increase) decrease in Net Pension Asset	5.77	11.17	(11.15)	5.79
(Increase) decrease in Pension Related Deferred Outflows	1,235.51	1,479.51	1,485.34	4,200.36
(Decrease) increase in Accounts and Other Payables			(13,728.84)	(13,728.84)
(Decrease) increase in Accrued Leave Payable			571.96	571.96
(Decrease) increase in Customer Deposits	750.00	750.00	1,500.00	3,000.00
(Decrease) increase in Pension Related Deferred Inflows	(949.82)	(1,076.04)	(1,401.33)	(3,427.19)
Net Cash Provided (Used) by Operating Activities	(19,100.25)	91,523.19	103,096.88	175,519.82

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	897,266.13	534,623.28	1,431,889.41
Investments		52,005.00	52,005.00
Accounts Receivable, Net	321,033.71	115,102.62	436,136.33
Net Pension Asset	251.46	307.36	558.82
Capital Assets:			
Land	189,690.18	62,250.00	251,940.18
Other Capital Assets, Net of Depreciation	1,275,118.82	7,149,202.83	8,424,321.65
TOTAL ASSETS	2,683,360.30	7,913,491.09	10,596,851.39
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	22,699.18	27,745.62	50,444.80
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,699.18	27,745.62	50,444.80
LIABILITIES :			
Accounts Payable		53,280.98	53,280.98
Other Current Liabilities	10,316.69	16,100.00	26,416.69
Unearned Revenue	2,050.75		2,050.75
Noncurrent Liabilities:			
Due Within One Year	9,844.59	83,896.37	93,740.96
Due in More than One Year	181,532.29	2,287,714.91	2,469,247.20
TOTAL LIABILITIES	203,744.32	2,440,992.26	2,644,736.58
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	15,361.10	18,776.15	34,137.25
TOTAL DEFERRED INFLOWS OF RESOURCES	15,361.10	18,776.15	34,137.25
NET POSITION:			
Net Investment in Capital Assets	1,274,315.61	4,839,922.29	6,114,237.90
Restricted for:			
Capital Projects Purposes	109,989.88		109,989.88
Debt Service Purposes	519,014.96	36,140.00	555,154.96
SDRS Pension Purposes	7,589.54	9,276.83	16,866.37
Economic Development Purposes	2,400.00		2,400.00
Equipment Repair Replacement		122,767.88	122,767.88
Unrestricted (Deficit)	573,644.07	473,361.30	1,047,005.37
TOTAL NET POSITION	2,486,954.06	5,481,468.30	7,968,422.36

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	124,061.15	14,656.90			(109,404.25)	(109,404.25)
Public Safety	36,856.92				(36,856.92)	(36,856.92)
Public Works	175,987.81		47,969.27	100,556.96	(27,461.58)	(27,461.58)
Health and Welfare	12,586.09				(12,586.09)	(12,586.09)
Culture and Recreation	153,573.56	414.40		500.00	(152,659.16)	(152,659.16)
Conservation and Development	9,263.81				(9,263.81)	(9,263.81)
*Interest on Long-term Debt	695.05				(695.05)	(695.05)
Total Governmental Activities	513,024.39	15,071.30	47,969.27	101,056.96	(348,926.86)	(348,926.86)
Business-type Activities:						
Water	113,532.31	152,165.34	26,728.66		65,361.69	65,361.69
Sewer	257,995.08	155,842.11	25,921.16		(76,231.81)	(76,231.81)
Natural Gas	348,998.57	388,842.80			39,844.23	39,844.23
Total Business-type Activities	720,525.96	696,850.25	52,649.82	0.00	28,974.11	28,974.11
Total Primary Government	1,233,550.35	711,921.55	100,619.09	101,056.96	(348,926.86)	(319,952.75)
General Revenues:						
Taxes:						
Property Taxes					177,299.54	177,299.54
Sales Taxes					330,375.90	330,375.90
State Shared Revenues					11,490.32	11,490.32
Grants and Contributions not Restricted to Specific Programs					2,531.00	2,531.00
Unrestricted Investment Earnings					1,024.20	1,365.08
Miscellaneous Revenue					19,664.65	21,164.65
Total General Revenues					542,385.61	544,226.49
Change in Net Position					193,458.75	224,273.74
Net Position - Beginning					2,293,495.31	7,744,148.62
NET POSITION - ENDING					2,486,954.06	7,968,422.36

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	579,512.32	17,406.66	108,309.88		2,400.00	189,637.27	897,266.13
Taxes Receivable--Delinquent	6,632.06						6,632.06
Accounts Receivable, Net			1,680.00				1,680.00
Special Assessments Receivable--Current						39,368.51	39,368.51
Special Assessments Receivable--Delinquent						1,357.60	1,357.60
Special Assessments Receivable--Deferred						271,244.92	271,244.92
Due From Third Penny Fund	5,689.55						5,689.55
Due from Other Governments	750.62						750.62
TOTAL ASSETS	592,584.55	17,406.66	109,989.88	0.00	2,400.00	501,608.30	1,223,989.39
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Due to General Fund				5,689.55			5,689.55
Accrued Wages Payable	10,316.69						10,316.69
Unearned Revenue	2,050.75						2,050.75
Total Liabilities	12,367.44	0.00	0.00	5,689.55	0.00	0.00	18,056.99
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	6,632.06						6,632.06
Unavailable Revenue--Special Assessments						311,971.03	311,971.03
Total Deferred Inflows of Resources	6,632.06	0.00	0.00	0.00	0.00	311,971.03	318,603.09
Fund Balances:							
Restricted for Capital Projects			109,989.88				109,989.88
Restricted for Debt Service		17,406.66				189,637.27	207,043.93
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,978.66						1,978.66
Assigned for Baseball Field Turf Debt Service	16,319.55						16,319.55
Unassigned	555,286.84			(5,689.55)			549,597.29
Total Fund Balances	573,585.05	17,406.66	109,989.88	(5,689.55)	2,400.00	189,637.27	887,329.31
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	592,584.55	17,406.66	109,989.88	0.00	2,400.00	501,608.30	1,223,989.39

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022

Total Fund Balances - Governmental Funds	<u>887,329.31</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>251.46</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,464,809.00</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>22,699.18</u>
Long-term liabilities, including notes payable, bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(191,376.88)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>318,603.09</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(15,361.10)</u>
Net Position - Governmental Activities	<u><u>2,486,954.06</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	176,227.63						176,227.63
General Sales and Use Taxes	306,587.77			23,788.13			330,375.90
Penalties and Interest on Delinquent Taxes	1,071.91						1,071.91
Licenses and Permits	8,201.90						8,201.90
Intergovernmental Revenue:							
Federal Grants	23,511.49						23,511.49
State Grants	3,907.54						3,907.54
State Shared Revenue:							
Bank Franchise Tax	7,433.14						7,433.14
Liquor Tax Reversion	4,057.18						4,057.18
Motor Vehicle Licenses	1,970.07						1,970.07
Local Government Highway and Bridge Fund	12,555.82						12,555.82
County Shared Revenue:							
County Road Tax	4,792.64						4,792.64
County Wheel Tax	1,231.71						1,231.71
Charges for Goods and Services:							
General Government	14,656.90						14,656.90
Culture and Recreation	414.40						414.40
Miscellaneous Revenue:							
Investment Earnings	1,024.20						1,024.20
Rentals	2,997.00						2,997.00
Special Assessments		4,353.10				59,573.28	63,926.38
Maintenance Assessments			36,174.29				36,174.29
Contributions and Donations from Private Sources	2,531.00						2,531.00
Other	166,370.04						166,370.04
Total Revenue	739,542.34	4,353.10	36,174.29	23,788.13	0.00	59,573.28	863,431.14

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	19,923.90						19,923.90
Elections	1,513.37						1,513.37
Financial Administration	88,753.24						88,753.24
Other	8,721.57						8,721.57
Total General Government	118,912.08	0.00	0.00	0.00	0.00	0.00	118,912.08
Public Safety:							
Police	21,622.67						21,622.67
Fire	12,506.47						12,506.47
Total Public Safety	34,129.14	0.00	0.00	0.00	0.00	0.00	34,129.14
Public Works:							
Highways and Streets	138,750.86		4,661.98				143,412.84
Sanitation	3,279.18						3,279.18
Total Public Works	142,030.04	0.00	4,661.98	0.00	0.00	0.00	146,692.02
Health and Welfare:							
Humane Society	1,327.59						1,327.59
Ambulance	11,258.50						11,258.50
Total Health and Welfare	12,586.09	0.00	0.00	0.00	0.00	0.00	12,586.09
Culture and Recreation:							
Recreation	5,978.64						5,978.64
Parks	86,807.99						86,807.99
Auditorium	22,436.07						22,436.07
Museums	2,060.61						2,060.61
Total Culture and Recreation	117,283.31	0.00	0.00	0.00	0.00	0.00	117,283.31
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	9,263.81						9,263.81
Total Conservation and Development	9,263.81	0.00	0.00	0.00	0.00	0.00	9,263.81
Debt Service	0.00	0.00	0.00	91,840.94	0.00	2,047.50	93,888.44
Capital Outlay	64,166.12	0.00	0.00	0.00	0.00	0.00	64,166.12
Total Expenditures	498,370.59	0.00	4,661.98	91,840.94	0.00	2,047.50	596,921.01
Net Change in Fund Balances	241,171.75	4,353.10	31,512.31	(68,052.81)	0.00	57,525.78	266,510.13
Fund Balance - Beginning	332,413.30	13,053.56	78,477.57	62,363.26	2,400.00	132,111.49	620,819.18
FUND BALANCE - ENDING	573,585.05	17,406.66	109,989.88	(5,689.55)	2,400.00	189,637.27	887,329.31

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>266,510.13</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	<u>64,166.12</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(75,622.59)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	<u>956.29</u>
Payment of principal on long-term liabilities is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>93,193.39</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(157,904.29)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)	<u>179.42</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>1,980.28</u>
Change in Net Position of Governmental Activities	<u><u>193,458.75</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	283,803.45	103,233.22	147,586.61	534,623.28
Investments	34,200.00	17,805.00		52,005.00
Accounts Receivable, Net	16,834.74	15,777.89	80,213.37	112,826.00
Accrued Tax Asset			2,276.62	2,276.62
Total Current Assets	334,838.19	136,816.11	230,076.60	701,730.90
Noncurrent Assets:				
Net Pension Asset	64.42	49.76	193.18	307.36
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	888,339.32	6,657,946.10	699,689.43	8,245,974.85
Machinery and Equipment	92,972.25	5,853.26	94,131.81	192,957.32
Construction Work in Progress	4,732.29	57,951.21		62,683.50
Less: Accumulated Depreciation	(415,350.96)	(580,367.22)	(356,694.66)	(1,352,412.84)
Total Noncurrent Assets	573,007.32	6,201,433.11	437,319.76	7,211,760.19
TOTAL ASSETS	907,845.51	6,338,249.22	667,396.36	7,913,491.09
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	5,814.98	4,492.13	17,438.51	27,745.62
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,814.98	4,492.13	17,438.51	27,745.62
LIABILITIES:				
Current Liabilities:				
Accounts Payable		53,280.98		53,280.98
Customer Deposits	4,025.00	4,025.00	8,050.00	16,100.00
Bonds Payable Current:				
Revenue	31,629.99	52,216.38		83,846.37
Compensated Absences Payable -- Current			50.00	50.00
Total Current Liabilities	35,654.99	109,522.36	8,100.00	153,277.35
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	224,217.84	2,063,466.33		2,287,684.17
Accrued Leave Payable			30.74	30.74
Total Noncurrent Liabilities	224,217.84	2,063,466.33	30.74	2,287,714.91
TOTAL LIABILITIES	259,872.83	2,172,988.69	8,130.74	2,440,992.26
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	3,935.14	3,039.94	11,801.07	18,776.15
TOTAL DEFERRED INFLOWS OF RESOURCES	3,935.14	3,039.94	11,801.07	18,776.15
NET POSITION:				
Net Investment in Capital Assets	317,095.07	4,085,700.64	437,126.58	4,839,922.29
Restricted For:				
Revenue Bond Debt Service	36,140.00			36,140.00
Equipment Repair and/or Replacement	6,000.00	79,510.13	37,257.75	122,767.88
SDRS Pension Purposes	1,944.26	1,501.95	5,830.62	9,276.83
Unrestricted	288,673.19		184,688.11	473,361.30
TOTAL NET POSITION	649,852.52	4,166,712.72	664,903.06	5,481,468.30

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	76,241.29	34,110.51	384,836.31	495,188.11
Revenue Dedicated to Servicing Debt	73,594.73	121,510.88		195,105.61
Miscellaneous	2,329.32	220.72	4,006.49	6,556.53
Total Operating Revenue	152,165.34	155,842.11	388,842.80	696,850.25
Operating Expenses:				
Personal Services	19,593.18	20,425.00	62,283.09	102,301.27
Other Current Expense	20,153.05	49,097.27	137,496.88	206,747.20
Materials (Cost of Goods Sold)	37,934.58		129,531.97	167,466.55
Depreciation	26,464.64	134,984.19	18,687.45	180,136.28
Total Operating Expenses	104,145.45	204,506.46	347,999.39	656,651.30
Operating Income (Loss)	48,019.89	(48,664.35)	40,843.41	40,198.95
Nonoperating Revenue (Expense):				
Operating Grants	26,728.66	25,921.16		52,649.82
Investment Earnings		340.88		340.88
Rental Revenue	1,500.00			1,500.00
Interest Expense	(9,386.86)	(53,488.62)	(999.18)	(63,874.66)
Total Nonoperating Revenue (Expense)	18,841.80	(27,226.58)	(999.18)	(9,383.96)
Change in Net Position	66,861.69	(75,890.93)	39,844.23	30,814.99
Net Position - Beginning	582,990.83	4,242,603.65	625,058.83	5,450,653.31
NET POSITION - ENDING	649,852.52	4,166,712.72	664,903.06	5,481,468.30

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Natural Gas Fund
			Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	151,370.74	157,420.77	369,486.63
Cash Payments to Employees for Services	(19,405.31)	(20,269.69)	(65,309.06)
Cash Payments to Suppliers of Goods and Services	(58,087.63)	(49,097.27)	(269,305.47)
Net Cash Provided (Used) by Operating Activities	73,877.80	88,053.81	34,872.10
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Grants	26,728.66	25,921.16	52,649.82
Net Cash Provided (Used) by Noncapital Financing Activities	26,728.66	25,921.16	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(4,732.29)	(4,670.23)	(60.00)
Principal Paid on Capital Debt	(37,625.70)	(50,873.06)	(31,519.91)
Interest Paid on Capital Debt	(9,386.86)	(53,488.62)	(999.18)
Other Receipts (Payments)	1,500.00		1,500.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(50,244.85)	(109,031.91)	(32,579.09)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest		340.88	340.88
Net Cash Provided (Used) by Investing Activities	0.00	340.88	0.00
Net Increase (Decrease) in Cash and Cash Equivalents	50,361.61	5,283.94	2,293.01
Balances - Beginning	267,641.84	115,754.28	145,293.60
Balances - Ending	318,003.45	121,038.22	147,586.61

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

	Enterprise Funds		
	Water Fund	Sewer Fund	Natural Gas Fund
Operating Income (Loss)	48,019.89	(48,664.35)	40,843.41
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	26,464.64	134,984.19	18,687.45
(Increase) decrease in Receivables	(444.60)	(196.34)	(24,106.17)
(Increase) decrease in Net Pension Asset	7,613.71	5,918.32	9,906.83
(Increase) decrease in Pension Related Deferred Outflows	3,972.99	3,115.89	(4,563.17)
(Decrease) increase in Accounts and Other Payables	(350.00)	1,775.00	(2,276.62)
(Decrease) increase in Customer Deposits	(11,398.83)	(8,878.90)	4,750.00
(Decrease) increase in Pension Related Deferred Inflows			(8,369.63)
Net Cash Provided (Used) by Operating Activities	73,877.80	88,053.81	34,872.10
			196,803.71

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Humboldt (Municipality) consists of 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); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

Fund financial statements of the 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 assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

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

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

Special Assessment Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of the cost of such improvement assumed by the municipality and to advance the portion of such cost ultimately to be paid from collections of assessments. (SDCL 9-43-69) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

Third Penny Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the city. (SDCL 10-52A-2) This is a major fund.

Grant Revolving Loan Fund – to account for federal grants that, when given to the Municipality, are subsequently loaned out to a new business to be repaid over a period of years. This is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

6th Avenue Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

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

Natural Gas Fund – financed primarily by user charges, this fund is to account for the construction and operation of a natural gas system. This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

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 on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

cycle, and for the Municipality of Humboldt, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2023 and 2022 are grants, sales tax and miscellaneous revenue.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as deferred inflows of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term liabilities which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2023, and December 31, 2022 balance of governmental activities capital assets and business-type capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	\$ -	- - N/A - -	- - N/A - -
Improvements other than Buildings	\$ 5,000.00	Straight-line	30-100 yrs.
Buildings	\$ 5,000.00	Straight-line	20-100 yrs.
Machinery & Equipment	\$ 2,000.00	Straight-line	10-100 yrs.
Infrastructure	\$ 5,000.00	Straight-line	30-100 yrs.
Utility Property and Improvements	\$ 5,000.00	Straight-line	30-100 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, special assessment bonds, notes payable, and accrued leave.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term liabilities is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

I. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

m. 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 Municipality 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 by the government through formal action of 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 Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Municipality uses restricted/committed amounts first when both 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Assessment Fund	Property Taxes
Street Assessment Fund	Street Assessments
Third Penny Sales Tax Fund	Sales Tax
Grant Revolving Loan Fund	Grants

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2022</u>	<u>Year Ended</u> <u>12/31/2023</u>
General Fund:		
Elections	1,213.37	
Financial Administration	22,689.24	
Highways and Streets	1,549.96	
Sanitation	1,279.18	
Humane Society	527.59	
Recreation	1,978.64	
Park	50,166.40	
Auditorium	1,166.07	1,298.43
Economic Development & Assistance	1,693.81	
Museums	560.61	
Street Assessment Fund:		
Highways and Streets		21,538.57

The Municipality plans to take the following actions to address these violations: Supplemental budgets will be used when legal authority exists.

3. DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL FUNDS

As of December 31, 2022, the following individual funds had deficit fund balance/deficit net position in the amounts shown.

Third Penny Sales Tax Fund	\$5,689.55
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The Governing Board plans to take the following actions to address these violations:
Eliminate expenses until there is a positive balance.

4. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 9-22-6, 6-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipal funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2022 and 2023, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality 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 Municipality's policy is to credit all income from deposits and investments to the General Fund, and Natural Gas Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Income from deposits, not recorded to other funds, is immaterial.

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are not material.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. PROPERTY TAXES

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

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

8. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2023, is as follows:

	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2023
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	189,690.18			189,690.18
Total, not being depreciated	189,690.18	0.00	0.00	189,690.18
Capital Assets, being Depreciated:				
Buildings	701,230.69			701,230.69
Improvements Other Than Buildings	909,029.62	19,508.41		928,538.03
Machinery and Equipment	452,070.22	69,638.00		521,708.22
Total, being depreciated	2,062,330.53	89,146.41	0.00	2,151,476.94
Less Accumulated Depreciation for:				
Buildings	(221,375.51)	(17,727.12)		(239,102.63)
Improvements Other Than Buildings	(377,176.24)	(85,986.09)		(463,162.33)
Machinery and Equipment	(178,159.78)	(49,934.21)		(228,093.99)
Total Accumulated Depreciation	(776,711.53)	(153,647.42)	0.00	(930,358.95)
Total Governmental Activities Capital Assets, being Depreciated, Net	1,285,619.00	(64,501.01)	0.00	1,221,117.99
Governmental Activity Capital Assets, Net	1,475,309.18	(64,501.01)	0.00	1,410,808.17

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

	2022	2023
Governmental Activities:		
General Government	5,149.07	5,149.00
Public Safety	2,727.78	2,727.78
Public Works	31,455.49	33,857.84
Culture and Recreation	36,290.25	36,290.21
Total Depreciation Expense - Governmental Activities	<u>75,622.59</u>	<u>78,024.83</u>

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2023
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	62,250.00			62,250.00
Construction Work in Progress		588,498.98		588,498.98
Total, not being Depreciated	<u>62,250.00</u>	<u>588,498.98</u>	<u>0.00</u>	<u>650,748.98</u>
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	8,245,974.85	35,266.52		8,281,241.37
Machinery and Equipment	192,957.32	57,988.65		250,945.97
Total, being Depreciated	<u>8,438,932.17</u>	<u>93,255.17</u>	<u>0.00</u>	<u>8,532,187.34</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(1,141,712.11)	(334,613.41)		(1,476,325.52)
Machinery and Equipment	(30,564.45)	(33,221.25)		(63,785.70)
Total Accumulated Depreciation	<u>(1,172,276.56)</u>	<u>(367,834.66)</u>	<u>0.00</u>	<u>(1,540,111.22)</u>
Total Capital Assets, being depreciated, net	<u>7,266,655.61</u>	<u>(274,579.49)</u>	<u>0.00</u>	<u>6,992,076.12</u>
Business-Type Activity Capital Assets, Net	<u>7,328,905.61</u>	<u>313,919.49</u>	<u>0.00</u>	<u>7,642,825.10</u>

Depreciation expense was charged to functions as follows:

	2022	2023
Business-Type Activities:		
Water	26,464.64	27,339.59
Sewer	134,984.19	137,008.01
Natural Gas	18,687.45	23,350.78
Total Depreciation Expense - Business-Type Activities	<u>180,136.28</u>	<u>187,698.38</u>

Construction Work in Progress at December 31, 2023 is composed of the following:

Project Name	Project Authorization	Expended through 12/31/2023	Committed	Required Future Financing
Phase III Design	4,353,565.45	588,498.98		3,765,066.47
TOTAL	<u>4,353,565.45</u>	<u>588,498.98</u>	<u>0.00</u>	<u>3,765,066.47</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/22	Additions	Deletions	Ending Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable - Ball Diamond Turf	108,100.00		18,922.52	89,177.48	9,699.82
Bonds Payable:					
Sales Tax Refunding Bonds	83,586.78		83,586.78	0.00	
Special Assessment Bonds - 6th Avenue	92,000.00		92,000.00	0.00	
Total Debt	283,686.78	0.00	194,509.30	89,177.48	9,699.82
Accrued Compensated Absences- Governmental Funds	883.49	2,918.25		3,801.74	3,000.00
Total Governmental Activities	284,570.27	2,918.25	194,509.30	92,979.22	12,699.82
Business-Type Activities:					
Direct Borrowing Lease Payable - Excavator	31,519.91		31,519.91	0.00	
Bonds Payable:					
SRF Drinking Water Revenue Loan #1	185,148.86		55,224.80	129,924.06	28,982.35
SRF Clean Water Revenue Bond Loan #1	311,708.57		15,792.43	295,916.14	8,287.97
SRF Drinking Water Revenue Loan #4	108,324.67		21,131.08	87,193.59	10,885.95
SRF Clean Water Revenue Bond Loan #3	1,854,847.20		87,297.01	1,767,550.19	45,307.59
SRF Drinking Water Revenue Loan #4		137,263.00		137,263.00	0.00
SRF Clean Water Revenue Bond Loan #3		135,463.00		135,463.00	0.00
Total Debt	2,491,549.21	272,726.00	210,965.23	2,553,309.98	93,463.86
Accrued Compensated Absences - Business-Type Funds	80.74	571.96		652.70	652.70
Total Business-Type Activities	2,491,629.95	273,297.96	210,965.23	2,553,962.68	94,116.56
TOTAL PRIMARY GOVERNMENT	2,776,200.22	276,216.21	405,474.53	2,646,941.90	106,816.38

The Municipality is fully obligated for the payment of the Special Assessment Bonds in the event of default by the property owners.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liabilities payable at December 31, 2023 is comprised of the following:

Notes Payable:

Notes Payable on Ball Diamond Turf, Final Maturity July 1, 2031, Interest Rate 5.00%, Retired by General Fund	\$ 89,177.48
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Revenue Bonds:

SRF Drinking Water Revenue Loan # 1, Interest Rate 3.25%, Maturity Date of April 15, 2028, Paid by Water Fund	\$ 129,924.06
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SRF Clean Water Revenue Loan # 1, Interest Rate 3.25%, Maturity Date of November 15, 2047, Paid by Sewer Fund	\$ 295,916.14
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SRF Drinking Water Revenue Loan # 4, Interest Rate 2.00%, Maturity Date of May 15, 2031, Paid by Water Fund	\$ 87,193.59
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SRF Clean Water Revenue Loan # 3, Interest Rate 2.00%, Maturity Date of May 15, 2031, Paid by Sewer Fund	\$1,767,550.19
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SRF Drinking Water Revenue Loan # 2, Interest Rate 1.625%, Maturity Date of August 15, 2054, Paid by Water Fund	\$ 137,263.00
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SRF Clean Water Revenue Loan # 5, Interest Rate 2.125%, Maturity Date of August 15, 2054, Paid by Sewer Fund	\$ 135,463.00
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Compensated Absences:

Accrued Leave for eligible employees Payment to be made by General Fund	\$ 3,801.74
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Accrued Leave for eligible employees Payment to be made by Natural Gas Fund	\$ 652.70
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The annual requirements to amortize all liabilities outstanding as of December 31, 2023, including interest payments of \$943,146.27, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Maturity for Long-Term Liabilities
December 31, 2023

Year Ending December 31,	SRF Drinking Water Revenue Loan #1		SRF Clean Water Revenue Loan #1		Notes Payable Ball Diamond Turf	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	28,982.35	3,871.69	8,287.97	9,516.95	9,699.82	3,489.04
2025	29,935.81	2,918.23	8,560.64	9,244.28	10,087.98	3,100.88
2026	30,920.66	1,933.38	8,842.27	8,962.65	10,481.76	2,707.10
2027	31,937.88	916.16	9,133.16	8,671.76	10,890.92	2,297.94
2028	8,147.36	66.15	9,433.63	8,371.29	11,310.91	1,877.95
2029-2033			52,032.66	36,991.94	36,706.09	2,860.49
2034-2038			61,173.56	27,851.04		
2039-2043			71,920.30	17,104.30		
2044-2048			66,531.95	4,687.73		
Totals	129,924.06	9,705.61	295,916.14	131,401.94	89,177.48	16,333.40

Year Ending December 31,	SRF Drinking Water Revenue Loan #4		SRF Clean Water Revenue Loan #3		SRF Drinking Water Revenue Loan #2	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	10,885.95	1,662.67	45,307.59	43,766.21		
2025	11,105.31	1,443.21	46,450.95	42,622.85	2,475.11	2,174.53
2026	11,329.09	1,219.43	47,623.16	41,450.64	3,361.95	2,837.57
2027	11,557.36	991.16	48,824.94	40,248.86	3,433.96	2,765.56
2028	11,790.26	758.26	50,057.06	39,016.74	3,507.51	2,692.01
2029-2033	30,525.62	845.68	269,883.12	175,485.88	18,697.27	12,300.33
2034-2038			305,698.71	139,670.29	20,787.38	10,210.22
2039-2043			346,267.28	99,101.72	23,111.12	7,886.48
2044-2048			392,219.63	53,149.37	25,694.68	5,302.92
2049-2053			215,217.75	7,466.75	28,567.01	2,430.59
2054-2058					7,627.01	122.39
Totals	87,193.59	6,920.41	1,767,550.19	681,979.31	137,263.00	48,722.60

Year Ending December 31,	SRF Clean Water Revenue Loan #5		TOTALS	
	Principal	Interest	Principal	Interest
2024			103,163.68	62,306.56
2025	2,442.64	2,146.01	111,058.44	63,649.99
2026	3,317.84	2,800.36	115,876.73	61,911.13
2027	3,388.91	2,729.29	119,167.13	58,620.73
2028	3,461.49	2,656.71	97,708.22	55,439.11
2029-2033	18,451.95	12,139.05	426,296.71	240,623.37
2034-2038	20,514.62	10,076.38	408,174.27	187,807.93
2039-2043	22,807.92	7,783.08	464,106.62	131,875.58
2044-2048	25,357.54	5,233.46	509,803.80	68,373.48
2049-2053	28,192.18	2,398.82	271,976.94	12,296.16
2054-2058	7,527.91	119.84	15,154.92	242.23
Totals	135,463.00	48,083.00	2,642,487.46	943,146.27

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. WATER PURCHASE AGREEMENT

The Municipality of Humboldt entered into a twenty-year operating lease with Minnehaha Community Water Corporation to provide water to the Municipality. No monthly service charge is paid by the Municipality to Minnehaha Community Water Corporation. A charge of \$0.0261 per gallon of water consumed is paid. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's water fund. There are no minimum payments on this agreement.

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2022, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	5,689.55	
Special Revenue Funds:		
Third Penny Sales Tax Fund		5,689.55

The purposes for the interfund receivable and payable balances are to eliminate a temporary cash shortfall.

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2022 and 2023 was as follows:

	<u>12/31/2022</u>	<u>12/31/2023</u>
Major Purposes:		
Debt Service	555,154.96	474,244.62
Economic Development	2,400.00	2,400.00
Capital Projects	109,989.88	94,050.85
Parks		12,184.41
SDRS Pension	16,866.37	15,875.28
Equipment Repair and Replacement	122,767.88	96,329.33
Total Restricted Net Position	<u>807,179.09</u>	<u>695,084.49</u>

These balances are restricted due to statutory requirements and debt covenants.

13. PENSION PLAN

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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Benefits Provided:

SDRS has four different classes of employees, 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 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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. 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/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% 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 reduces the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% 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 Municipality's

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021 were \$9,317.67, \$8,482.67, and \$7,635.01, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows 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 Municipality as of this measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 836,402.78
Less proportionate share of net pension restricted for pension benefits	<u>\$ 836,966.16</u>
Proportionate share of net pension liability (asset)	<u>\$ (563.38)</u>

At December 31, 2023, the Municipality reported a liability (asset) of (\$563.38) for its proportionate share of the net pension liability (asset). The net pension liability (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 Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.00577200%, which is an increase (decrease) of (0.0001410%) from its proportion measured as of June 30, 2022.

At June 30, 2022, 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 Municipality as of this measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 834,715.70
Less proportionate share of net pension restricted for pension benefits	<u>\$ 835,274.52</u>
Proportionate share of net pension liability (asset)	<u>\$ (558.82)</u>

At December 31, 2022, the Municipality reported a liability (asset) of (\$558.82) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.00591300%, which is an increase (decrease) of 0.0002590% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of expense) of \$997.47. At December 31, 2023 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 15,969.08	
Changes in assumption.	\$ 19,260.94	\$ 28,155.20
Net difference between projected and actual earnings on pension plan investments.	\$ 3,750.74	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 260.64	\$ 518.92
Municipality contributions subsequent to the measurement date.	<u>\$ 4,744.62</u>	
TOTAL	<u>\$ 43,986.02</u>	<u>\$ 28,674.12</u>

\$4,744.62 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2024	\$ 7,391.81
2025	(8,580.20)
2026	10,937.45
2027	<u>818.22</u>
TOTAL	<u>\$ 10,567.28</u>

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of expense) of (\$4,482.49). At December 31, 2022 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 10,637.48	\$ 36.28
Changes in assumption.	\$ 35,516.60	\$ 31,125.56
Net difference between projected and actual earnings on pension plan investments.		\$ 1,339.18
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 1,636.23
Municipality contributions subsequent to the measurement date.	<u>\$ 4,290.72</u>	
TOTAL	<u><u>\$ 50,444.80</u></u>	<u><u>\$ 34,137.25</u></u>

\$4,290.72 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended
December 31:

2023	\$ 2,560.92
2024	7,401.93
2025	(8,966.18)
2026	<u>11,020.16</u>
TOTAL	<u><u>\$ 12,016.83</u></u>

Actuarial Assumptions:

The total pension liability (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 percent
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 returns of 4.00%.
Future COLAs	1.91%

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	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 returns of 4.00%.
Future COLAs	2.10%

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 PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year

until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-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.

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 (i.e., 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 weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Total	100%	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	2.70%

Discount Rate:

The discount rate used to measure the total pension liability (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 these 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 liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

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

<u>2023</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$115,471.69	\$(563.36)	\$(95,457.92)
<u>2022</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$116,032.92	\$(558.82)	\$(95,845.07)

Pension Plan Fiduciary Net Position:

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

14. RISK MANAGEMENT

The Municipality 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 biennial period ended December 31, 2023, the Municipality managed its risks as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$250.00 per person up to \$500.00 per family. The plan also provides for coinsurance of 90 percent up to \$5,000.00. The coverage also includes a \$2,500,000.00 lifetime maximum payment per person.

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's 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 Municipality'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 Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy 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 an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

15. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2022 and 2023, the Municipality was not involved in any significant litigation.

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through June 24, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	215,480.00	215,480.00	200,501.81	(14,978.19)
General Sales and Use Taxes	230,000.00	230,000.00	303,682.65	73,682.65
Penalties and Interest on Delinquent Taxes	1,075.00	1,075.00	273.77	(801.23)
Licenses and Permits	10,000.00	10,000.00	7,265.22	(2,734.78)
Intergovernmental Revenue:				
State Grants	0.00	0.00	277.41	277.41
State Shared Revenue:				
Bank Franchise Tax	8,000.00	8,000.00	8,400.64	400.64
Liquor Tax Reversion	4,100.00	4,100.00	3,979.88	(120.12)
Motor Vehicle Licenses	2,000.00	2,000.00	6,328.49	4,328.49
Local Government Highway and Bridge Fund	13,000.00	13,000.00	6,805.24	(6,194.76)
County Shared Revenue:				
County Road Tax	4,800.00	4,800.00	2,102.58	(2,697.42)
County Highway & Bridge Reserve Tax	0.00	0.00	6,105.22	6,105.22
County Wheel Tax	1,300.00	1,300.00	1,540.34	240.34
Charges for Goods and Services:				
General Government	10,000.00	10,000.00	15,344.66	5,344.66
Culture and Recreation	1,225.00	1,225.00	1,751.00	526.00
Miscellaneous Revenue:				
Investment Earnings	1,025.00	1,025.00	854.50	(170.50)
Rentals	9,000.00	9,000.00	3,760.00	(5,240.00)
Contributions and Donations from Private Sources	2,600.00	2,600.00	3,138.00	538.00
Other	14,145.00	14,145.00	25,115.00	10,970.00
Total Revenue	527,750.00	527,750.00	597,226.41	69,476.41
Expenditures:				
General Government:				
Legislative	29,000.00	29,000.00	19,343.98	9,656.02
Contingency	10,720.00	10,720.00		
Amount Transferred		(10,720.00)		0.00
Elections	1,000.00	1,350.00	1,344.97	5.03
Financial Administration	75,000.00	91,700.00	85,270.13	6,429.87
Other	11,400.00	11,400.00	4,424.19	6,975.81
Total General Government	127,120.00	133,450.00	110,383.27	23,066.73

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	26,074.00	31,574.00	28,574.48	2,999.52
Fire	12,550.00	12,970.00	12,966.54	3.46
Total Public Safety	38,624.00	44,544.00	41,541.02	3,002.98
Public Works:				
Highways and Streets	222,650.00	222,650.00	149,604.79	73,045.21
Sanitation	5,500.00	5,500.00	3,155.84	2,344.16
Natural Gas	4,800.00	4,800.00	2,179.91	2,620.09
Total Public Works	232,950.00	232,950.00	154,940.54	78,009.46
Health and Welfare:				
Humane Society	700.00	1,055.00	1,052.45	2.55
Ambulance	12,550.00	12,550.00	11,596.40	953.60
Total Health and Welfare	13,250.00	13,605.00	12,648.85	956.15
Culture and Recreation:				
Recreation	7,000.00	7,000.00	5,263.78	1,736.22
Parks	67,138.00	85,638.00	75,311.58	10,326.42
Auditorium	32,000.00	33,030.00	34,328.43	(1,298.43)
Museums	1,250.00	1,800.00	1,798.05	1.95
Total Culture and Recreation	107,388.00	127,468.00	116,701.84	10,766.16
Conservation and Development:				
Economic Development and Assistance	32,370.00	32,370.00	11,851.82	20,518.18
Total Conservation and Development	32,370.00	32,370.00	11,851.82	20,518.18
Total Expenditures	551,702.00	584,387.00	448,067.34	136,319.66
Excess of Revenue Over (Under)				
Expenditures	(23,952.00)	(56,637.00)	149,159.07	205,796.07
Net Change in Fund Balances	(23,952.00)	(56,637.00)	149,159.07	205,796.07
Fund Balance - Beginning	573,585.05	573,585.05	573,585.05	0.00
FUND BALANCE - ENDING	549,633.05	516,948.05	722,744.12	205,796.07

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	42,500.00	42,500.00	48,099.54	5,599.54
Total Revenue	42,500.00	42,500.00	48,099.54	5,599.54
Expenditures:				
Public Works:				
Highway and Streets	42,500.00	42,500.00	64,038.57	(21,538.57)
Total Public Works	42,500.00	42,500.00	64,038.57	(21,538.57)
Debt Service	92,179.00	92,179.00	0.00	92,179.00
Total Expenditures	134,679.00	134,679.00	64,038.57	70,640.43
Excess of Revenue Over (Under) Expenditures	(92,179.00)	(92,179.00)	(15,939.03)	76,239.97
Other Financing Sources (Uses):				
Transfers In	71,442.00	71,442.00		(71,442.00)
Total Other Financing Sources (Uses)	71,442.00	71,442.00	0.00	(71,442.00)
Net Change in Fund Balances	(20,737.00)	(20,737.00)	(15,939.03)	4,797.97
Fund Balance - Beginning	109,989.88	109,989.88	109,989.88	0.00
FUND BALANCE - ENDING	89,252.88	89,252.88	94,050.85	4,797.97

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY SALES TAX FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	21,000.00	21,000.00	24,873.96	3,873.96
Total Revenue	21,000.00	21,000.00	24,873.96	3,873.96
Expenditures:				
Debt Service	15,011.00	15,011.00	7,000.00	8,011.00
Total Expenditures	15,011.00	15,011.00	7,000.00	8,011.00
Net Change in Fund Balances	5,989.00	5,989.00	17,873.96	11,884.96
Fund Balance - Beginning	(5,689.55)	(5,689.55)	(5,689.55)	0.00
FUND BALANCE - ENDING	299.45	299.45	12,184.41	11,884.96

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	189,614.00	189,614.00	176,227.63	(13,386.37)
General Sales and Use Taxes	180,000.00	180,000.00	306,587.77	126,587.77
Penalties and Interest on Delinquent Taxes	160.00	160.00	1,071.91	911.91
Licenses and Permits	2,500.00	2,500.00	8,201.90	5,701.90
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	23,511.49	23,511.49
Federal Shared Revenue	0.00	0.00	3,907.54	3,907.54
State Shared Revenue:				
Bank Franchise Tax	6,000.00	6,000.00	7,433.14	1,433.14
Liquor Tax Reversion	3,600.00	3,600.00	4,057.18	457.18
Motor Vehicle Licenses	7,500.00	7,500.00	1,970.07	(5,529.93)
Local Government Highway and Bridge Fund	6,500.00	6,500.00	12,555.82	6,055.82
County Shared Revenue:				
County Road Tax	0.00	0.00	4,792.64	4,792.64
County Highway & Bridge Reserve Tax	2,600.00	2,600.00	0.00	(2,600.00)
County Wheel Tax	1,200.00	1,200.00	1,231.71	31.71
Charges for Goods and Services:				
General Government	2,600.00	2,600.00	14,656.90	12,056.90
Sanitation	400.00	400.00	0.00	(400.00)
Culture and Recreation	0.00	0.00	414.40	414.40
Miscellaneous Revenue:				
Investment Earnings	300.00	300.00	1,024.20	724.20
Rentals	8,300.00	8,300.00	2,997.00	(5,303.00)
Contributions and Donations from Private Sources	2,000.00	2,000.00	2,531.00	531.00
Liquor Operating Agreement Income	475.00	475.00	0.00	(475.00)
Other	4,000.00	4,000.00	166,370.04	162,370.04
Total Revenue	417,749.00	417,749.00	739,542.34	321,793.34
Expenditures:				
General Government:				
Legislative	20,100.00	20,100.00	19,923.90	176.10
Contingency	10,000.00	10,000.00		
Amount Transferred		0.00		10,000.00
Elections	300.00	300.00	1,513.37	(1,213.37)
Financial Administration	66,064.00	66,064.00	88,753.24	(22,689.24)
Other	11,400.00	11,400.00	8,721.57	2,678.43
Total General Government	107,864.00	107,864.00	118,912.08	(11,048.08)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	23,800.00	23,800.00	21,622.67	2,177.33
Fire	13,075.00	13,075.00	12,506.47	568.53
Total Public Safety	36,875.00	36,875.00	34,129.14	2,745.86
Public Works:				
Highways and Streets	165,425.14	165,425.14	166,975.10	(1,549.96)
Sanitation	2,000.00	2,000.00	3,279.18	(1,279.18)
Natural Gas	6,250.00	6,250.00	2,933.47	3,316.53
Total Public Works	173,675.14	173,675.14	173,187.75	487.39
Health and Welfare:				
Humane Society	800.00	800.00	1,327.59	(527.59)
Ambulance	11,275.00	11,275.00	11,258.50	16.50
Total Health and Welfare	12,075.00	12,075.00	12,586.09	(511.09)
Culture and Recreation:				
Recreation	4,000.00	4,000.00	5,978.64	(1,978.64)
Parks	59,650.00	69,650.00	119,816.40	(50,166.40)
Auditorium	21,270.00	21,270.00	22,436.07	(1,166.07)
Museums	1,500.00	1,500.00	2,060.61	(560.61)
Total Culture and Recreation	86,420.00	96,420.00	150,291.72	(53,871.72)
Conservation and Development:				
Economic Development and Assistance	7,570.00	7,570.00	9,263.81	(1,693.81)
Total Conservation and Development	7,570.00	7,570.00	9,263.81	(1,693.81)
Debt Service	26,581.00	26,581.00	0.00	26,581.00
Total Expenditures	451,060.14	461,060.14	498,370.59	(37,310.45)
Excess of Revenue Over (Under)				
Expenditures	(33,311.14)	(43,311.14)	241,171.75	284,482.89
Other Financing Sources (Uses):				
Transfers In	15,000.00	15,000.00	0.00	(15,000.00)
Sale of Municipal Property	500.00	500.00	0.00	(500.00)
Total Other Financing Sources (Uses)	15,500.00	15,500.00	0.00	(15,500.00)
Net Change in Fund Balances	(17,811.14)	(27,811.14)	241,171.75	268,982.89
Fund Balance - Beginning	332,413.30	332,413.30	332,413.30	0.00
FUND BALANCE - ENDING	314,602.16	304,602.16	573,585.05	268,982.89

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	39,544.00	39,544.00	36,174.29	(3,369.71)
Total Revenue	39,544.00	39,544.00	36,174.29	(3,369.71)
Expenditures:				
Public Works:				
Highway and Streets	35,544.00	35,544.00	4,661.98	30,882.02
Total Public Works	35,544.00	35,544.00	4,661.98	30,882.02
Total Expenditures	35,544.00	35,544.00	4,661.98	30,882.02
Net Change in Fund Balances	4,000.00	4,000.00	31,512.31	27,512.31
Fund Balance - Beginning	78,477.57	78,477.57	78,477.57	0.00
FUND BALANCE - ENDING	82,477.57	82,477.57	109,989.88	27,512.31

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3rd Penny Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	15,000.00	15,000.00	23,788.13	8,788.13
Total Revenue	15,000.00	15,000.00	23,788.13	8,788.13
Expenditures:				
Debt Service	15,000.00	92,000.00	91,840.94	159.06
Total Expenditures	15,000.00	92,000.00	91,840.94	159.06
Net Change in Fund Balances	0.00	(77,000.00)	(68,052.81)	8,947.19
Fund Balance - Beginning	62,363.26	62,363.26	62,363.26	0.00
FUND BALANCE - ENDING	62,363.26	(14,636.74)	(5,689.55)	8,947.19

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

*Last Nine Years

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.0057720%	\$ (563.38)	\$ 147,727.43	0.38%	100.10%
2022	0.0059130%	\$ (558.82)	\$ 134,521.98	0.42%	100.10%
2021	0.0056540%	\$ (43,299.96)	\$ 124,759.43	34.71%	105.52%
2020	0.0060924%	\$ (264.59)	\$ 131,368.62	0.20%	100.04%
2019	0.0045735%	\$ (484.67)	\$ 96,310.33	0.50%	100.09%
2018	0.0038402%	\$ (89.56)	\$ 79,833.24	0.11%	100.02%
2017	0.0033895%	\$ (307.60)	\$ 68,865.50	0.45%	100.10%
2016	0.0037603%	\$ 12,701.92	\$ 71,503.07	17.76%	96.89%
2015	0.0041326%	\$ (17,527.54)	\$ 75,448.20	23.23%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

*Last Nine Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2023	\$ 9,317.67	\$ 9,317.67	\$ -	\$ 155,292.84	6.00%
2022	\$ 8,482.67	\$ 8,482.67	\$ -	\$ 141,376.55	6.00%
2021	\$ 7,635.01	\$ 7,635.01	\$ -	\$ 127,755.77	5.98%
2020	\$ 7,614.10	\$ 7,614.10	\$ -	\$ 124,561.56	6.11%
2019	\$ 7,259.55	\$ 7,259.55	\$ -	\$ 122,388.66	5.93%
2018	\$ 4,991.18	\$ 4,991.18	\$ -	\$ 83,216.98	6.00%
2017	\$ 4,231.90	\$ 4,231.90	\$ -	\$ 70,526.24	6.00%
2016	\$ 4,173.73	\$ 4,173.73	\$ -	\$ 69,562.38	6.00%
2015	\$ 4,619.74	\$ 4,619.74	\$ -	\$ 76,995.61	6.00%

*Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Changes from Prior Valuation

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