

City of Huron

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2023**

City of Huron
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**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***

To the City Council
City of Huron, South Dakota

We have audited in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Huron as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Huron’s basic financial statements and have issued our report thereon dated September 26, 2024.

An adverse opinion for the aggregate discretely presented component unit was issued due to the City’s financial statements not including the financial information for the Huron Housing and Redevelopment Commission. An unmodified opinion was issued for the remaining opinion units.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huron’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 City of Huron’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huron’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 entity’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huron's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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.

Handwritten signature in cursive script that reads "CIO of LLC".

Huron, South Dakota
September 26, 2024



**Independent Auditor’s Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the City Council
City of Huron, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Huron’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Huron’s major federal programs for the year ended December 31, 2023. City of Huron’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Huron complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further describe in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Huron’s and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Huron’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Huron's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Huron's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Huron's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Huron's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Huron's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Huron's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in cursive script that reads "CIO Prof LLC".

Huron, South Dakota
September 26, 2024

City of Huron
Schedule of Prior Findings
For the Year Ended December 31, 2023

Schedule of Prior Audit Findings

The prior audit report contained no written audit findings.

City of Huron
 Schedule of Current Audit Findings
 For the Year Ended December 31, 2023

Schedule of Current Audit Findings - Continued

Section I - Summary of Independent Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Governmental -General Fund	Unmodified
Governmental - Park Fund	Unmodified
Enterprise – Water fund	Unmodified
Enterprise – Sewer Fund	Unmodified
Enterprise – Airport Fund	Unmodified
Enterprise – Solidwaste Fund	Unmodified
Enterprise – Golf Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weakness(es) identified:	_____ yes	_____ <u>X</u> no
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_____ <u>X</u> no
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Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:

\$	750,000
Auditee qualified as low-risk auditee?	_____ Yes _____ <u>X</u> no

Section II - Financial Statement Findings

There are no written current financial statement audit findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no written current federal compliance audit finding to report.



Independent Auditor's Report

To the City Council
 City of Huron, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Huron as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Governmental Fund – General Fund	Unmodified
Governmental Fund –Additional Sales Tax	Unmodified
Enterprise Fund –Water Fund	Unmodified
Enterprise Fund –Sewer Fund	Unmodified
Enterprise Fund –Airport Fund	Unmodified
Enterprise Fund –Solidwaste Fund	Unmodified
Enterprise Fund –Golf Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City Huron, as of December 31, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, and Unmodified Opinions

We conducted our audit 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. 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 City of Huron 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 audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City of Huron's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City of Huron also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Huron has not issued such reporting entity financial statements. The effects of not including the City of Huron's legally separate component unit as an aggregate discretely presented component unit has not been determined.

Responsibility 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 City of Huron, 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 City of Huron’s 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 City of Huron, South Dakota’s internal control over compliance. 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 City of Huron, 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.

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (MD&A), Budgetary Comparison Schedules, Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of the City’s Contributions (SDRS) as listed in the table of contents, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Huron's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CIO of LLC". The signature is written in a cursive, slightly slanted style.

Huron, South Dakota
September 26, 2024

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

This section of City of Huron's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2023. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- During the year, the City's revenues of \$33,875,976 generated from taxes, charges for services and other revenues of the governmental and business-type programs were \$4,383,936 more than the \$29,492,040 in governmental and business-type program expenditures. The total cost of the City's programs increased 8.44% over the prior year.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The proprietary funds operated by the City are water, sewer, airport, golf and solid waste.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

	Government Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, fire and police	Activities the City operates similar to private businesses, the water and sewer systems, golf, airport, and solid waste
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** – This category includes the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earning finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, sewer, airport, golf, and solid waste systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Financial Analysis of the City as a Whole

Net Position

The City's combined net position increased as follows:

Table A-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2022	2023	2022	2023	2022	2023	Change
Current and Other Assets	\$ 12,039,592	\$ 11,747,930	\$ 13,665,729	\$ 19,545,311	\$ 25,705,321	\$ 31,293,241	21.74%
Capital Assets (Net of Depreciation)	49,476,107	51,061,314	72,696,313	76,410,450	122,172,420	127,471,764	4.34%
Total Assets	<u>61,515,699</u>	<u>62,809,244</u>	<u>86,362,042</u>	<u>95,955,761</u>	<u>147,877,741</u>	<u>158,765,005</u>	7.36%
Pension Related Deferred Outflows	2,273,822	2,015,773	697,091	610,001	2,970,913	2,625,774	-11.62%
Total Deferred Outflows of Resources	<u>2,273,822</u>	<u>2,015,773</u>	<u>697,091</u>	<u>610,001</u>	<u>2,970,913</u>	<u>2,625,774</u>	-11.62%
Long-Term Liabilities Outstanding	1,343,402	8,802,066	12,037,458	11,535,982	13,380,860	20,338,048	51.99%
Other Liabilities	174,568	222,046	1,832,919	1,205,528	2,007,487	1,427,574	-28.89%
Total Liabilities	<u>1,517,970</u>	<u>9,024,112</u>	<u>13,870,377</u>	<u>12,741,510</u>	<u>15,388,347</u>	<u>21,765,622</u>	41.44%
Pension Related Deferred Inflows	1,453,571	1,289,800	445,626	390,311	1,899,197	1,680,111	-11.54%
Total Deferred Inflows of Resources	<u>1,453,571</u>	<u>1,289,800</u>	<u>445,626</u>	<u>390,311</u>	<u>1,899,197</u>	<u>1,680,111</u>	-11.54%
Net Position							
Net Investment in Capital Assets	48,132,705	42,259,248	60,895,669	65,133,282	109,028,374	107,392,530	-1.50%
Restricted	2,033,687	1,688,794	959,087	927,495	2,992,774	2,616,289	-12.58%
Unrestricted	<u>10,651,588</u>	<u>10,563,063</u>	<u>10,888,374</u>	<u>17,373,164</u>	<u>21,539,962</u>	<u>27,936,227</u>	29.69%
Total Net Position	<u>60,817,980</u>	<u>54,511,105</u>	<u>72,743,130</u>	<u>83,433,941</u>	<u>133,561,110</u>	<u>137,945,046</u>	3.28%
Beginning Net Position	57,604,469	60,817,980	71,856,811	72,743,130	129,461,280	133,561,110	3.17%
Increase (Decrease) in Net Position	<u>\$ 3,213,511</u>	<u>\$ (6,306,875)</u>	<u>\$ 886,319</u>	<u>\$ 10,690,811</u>	<u>\$ 4,099,830</u>	<u>\$ 4,383,936</u>	6.93%
Percentage of Increase (Decrease) in Net Position	5.58%	-10.37%	1.23%	14.70%	3.17%	3.28%	

The City's combined net position of approximately \$138 million is approximately \$4.3 million or 3.93% more than on December 31, 2022. Overall activities are fairly consistent with prior year.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable and bonds, capital outlay certificates and other loans have been reported in this manner on the Statement of Net Position. The difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Changes in Net Position

The City's total revenues (excluding transfers) totaled \$33,875,976 (See Table A-4). This was approximately a 8.25% increase. Approximately 49% of the City's revenue comes from property and other taxes, with another 42% from charges for services. (See Table A-2.)

Table A-2
Sources of Revenues

Taxes	\$ 16,201,817	47.71%
State Sources	184,376	0.54%
Operating And Capital Grants & Contributions	2,163,658	6.37%
Charges for Services	14,278,723	42.04%
Other Revenues	203,628	0.60%
Unrestricted Investment Earnings	<u>929,226</u>	<u>2.74%</u>
 Total Revenue	 <u><u>\$ 33,961,428</u></u>	 <u><u>100.00%</u></u>

Total cost of all programs and services increased by approximately 8.44%. The city's expenses totaled \$29,492,040 (See Table A-4). The City's expenses cover a range of services. (See Table A-3.)

Table A-3
Statement of Expenditures

General government	\$ 4,259,863	14.40%
Public safety	4,622,373	15.63%
Public works	3,849,228	13.01%
Culture and recreation	3,942,326	13.33%
Conservation and development	686,066	2.32%
Interest on long-term debt	156,457	0.53%
Water	4,755,925	16.08%
Sewer	2,576,633	8.71%
Airport	1,669,501	5.64%
Solidwaste	2,465,887	8.34%
Golf	<u>593,233</u>	<u>2.01%</u>
 Total Expenditures	 <u><u>\$ 29,577,492</u></u>	 <u><u>100.00%</u></u>

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the City.

Table A-4
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2022	2023	2022	2023	2022	2023	Change 2022-2023
Revenues							
Program Revenues							
Charges for Services	\$ 2,391,661	\$ 2,308,519	\$ 10,529,948	\$ 11,970,204	\$ 12,921,609	\$ 14,278,723	10.50%
Operating Grants and Contributions	1,425,526	672,334	16,003	1,266,658	1,441,529	1,938,992	34.51%
Capital Grants and Contributions	--	--	700,606	224,666	700,606	224,666	-67.93%
General Revenues							
Taxes	15,357,750	16,201,817	--	--	15,357,750	16,201,817	5.50%
Revenue State Sources	165,524	184,376	--	--	165,524	184,376	11.39%
Unrestricted Investment Earnings	64,148	469,455	58,900	459,771	123,048	929,226	655.17%
Other General Revenues	506,806	203,628	78,702	--	585,508	203,628	-65.22%
Total Revenues	19,911,415	20,040,129	11,384,159	13,921,299	31,295,574	33,961,428	8.52%
Expenses							
General government	4,003,380	4,259,863	--	--	4,003,380	4,259,863	6.41%
Public safety	5,819,548	4,622,373	--	--	5,819,548	4,622,373	-20.57%
Public works	1,679,063	3,849,228	--	--	1,679,063	3,849,228	129.25%
Culture and recreation	3,989,512	3,942,326	--	--	3,989,512	3,942,326	-1.18%
Conservation and development	688,779	686,066	--	--	688,779	686,066	-0.39%
Interest on long-term debt	136,188	156,457	--	--	136,188	156,457	14.88%
Water	--	--	4,027,950	4,755,925	4,027,950	4,755,925	18.07%
Sewer	--	--	2,439,955	2,576,633	2,439,955	2,576,633	5.60%
Airport	--	--	1,492,404	1,669,501	1,492,404	1,669,501	11.87%
Solidwaste	--	--	2,342,834	2,465,887	2,342,834	2,465,887	5.25%
Golf	--	--	576,131	593,233	576,131	593,233	2.97%
Total Expenses	16,316,470	17,516,313	10,879,274	12,061,179	27,195,744	29,577,492	8.76%
Excess (Deficiency) Before Transfers	3,594,945	2,523,816	504,885	1,860,120	4,099,830	4,383,936	6.93%
Transfers	(381,434)	(8,830,691)	381,434	8,830,691	--	--	0.00%
Increase (Decrease) in Net Position	3,213,511	(6,306,875)	886,319	10,690,811	4,099,830	4,383,936	6.93%
Beginning Net Position	57,604,469	60,817,980	71,856,811	72,743,130	129,461,280	133,561,110	3.17%
Ending Net Position	\$ 60,817,980	\$ 54,511,105	\$ 72,743,130	\$ 83,433,941	\$ 133,561,110	\$ 137,945,046	3.28%

Governmental Activities

Increase in the governmental expenses was 7%, mainly due to increased spending in general government and public works.

Business-Type Activities

Net position of the City's business-type activities increased approximately by \$886 thousand.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Financial Analysis of the City's Funds

Overall, the governmental funds have a 6.3 million dollar decrease in fund balance over last year. The main cause was the transfer of debt proceeds to be utilized for a project in the business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Board revised the City budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of FY 2023, the City had invested \$127, million (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.)

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022-2023	2022-2023
Land	\$ 3,160,774	\$ 4,859,857	\$ 2,969,348	\$ 2,969,348	\$ 1,699,083	27.72%
Construction in progress	144,183	1,122,238	13,595,685	17,245,118	4,627,488	33.68%
Buildings	14,909,308	14,766,751	10,105,086	9,870,829	(376,814)	-1.51%
Improvements other than Bldgs	21,019,606	20,605,220	44,359,453	44,713,172	(60,667)	-0.09%
Machinery and equipment	10,242,236	9,707,248	1,604,306	1,570,360	(568,934)	-4.80%
Intangible leases	--	--	62,435	41,623	(20,812)	-33.33%
Total Capital Assets (Net)	<u>\$ 49,476,107</u>	<u>\$ 51,061,314</u>	<u>\$ 72,696,313</u>	<u>\$ 76,410,450</u>	<u>\$ 5,299,344</u>	4.34%

This year's capital asset increases of \$5.2 million included construction on street projects, and purchase of land for upcoming projects.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2023

Long-Term Debt

At year-end, the City had \$20,337,988 in general long-term obligations. See individual balances as shown on Table A-6 below.

Table A-6
City of Huron - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022-2023	2022-2023
Bonds Payable	\$ 783,333	\$ 7,840,000	\$ 11,758,367	\$ 11,255,896	\$ 6,554,196	52.26%
Plus unamortized premium	--	339,974	--	--	339,974	N/A
Accrued Compensated Absences	560,069	622,092	216,071	42,277	(111,771)	-14.40%
Leases	--	--	63,020	237,809	174,789	277.35%
Total Outstanding Debt and Obligations	<u>\$ 1,343,402</u>	<u>\$ 8,802,066</u>	<u>\$ 12,037,458</u>	<u>\$ 11,535,982</u>	<u>\$ 6,957,188</u>	<u>51.99%</u>

Economic Factors and Next Year's Budgets And Rates

The City's total property valuation is \$812,089,732 increased for 2024 taxes payable in 2025. Under the state mandated property tax limitation, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower. The tax levy assessment for the City per thousand dollars in real property value is \$7.244, an increase of .3 per \$1000 of valuation from the prior year.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced an increase in revenue for taxable sales over the prior year.

The City will be working through the 2025 Budget starting in July of 2024, things that will be included in this budget will be finishing up and continuing the downtown streetscape, watermains, sewer lining projects and to look at the final completion of the solidwaste transfer building.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Huron City's Business Office, 239 Wisconsin Ave SW, Huron, SD 57350.

City of Huron
Statement of Net Position
December 31, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 10,553,432	\$ 15,553,185	\$ 26,106,617
Accounts receivable, net	626,211	1,036,515	1,662,726
Inventories	542,495	1,883,149	2,425,644
Restricted assets:			
Deposits	--	1,064,657	1,064,657
Net pension asset	25,792	7,805	33,597
Capital assets:			
Land and construction in progress	5,982,095	20,214,466	26,196,561
Other capital assets, net of depreciation/amortization	45,079,219	56,195,984	101,275,203
Total Assets	<u>62,809,244</u>	<u>95,955,761</u>	<u>158,765,005</u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>2,015,773</u>	<u>610,001</u>	<u>2,625,774</u>
Liabilities:			
Accounts payable	35,910	702,064	737,974
Other current liabilities	186,136	503,464	689,600
Noncurrent liabilities:			
Due within one year	165,000	460,490	625,490
Due in more than one year	8,637,066	11,075,492	19,712,558
Total Liabilities	<u>9,024,112</u>	<u>12,741,510</u>	<u>21,765,622</u>
Deferred Inflows of Resources:			
Pension related deferred inflows of resources	<u>1,289,800</u>	<u>390,311</u>	<u>1,680,111</u>
Total Deferred Inflows of Resources	<u>1,289,800</u>	<u>390,311</u>	<u>1,680,111</u>
Net Position:			
Net Investment in capital assets	42,259,248	65,133,282	107,392,530
Restricted for:			
TIF	525,000	--	525,000
E911	8,703	--	8,703
3rd Penny Purposes	153,347	--	153,347
Dakota Learners	3,390	--	3,390
BID Assessment	246,589	--	246,589
Debt Services	--	700,000	700,000
SDRS pension purposes	751,765	227,495	979,260
Unrestricted	<u>10,563,063</u>	<u>17,373,164</u>	<u>27,936,227</u>
Total Net Position	<u>\$ 54,511,105</u>	<u>\$ 83,433,941</u>	<u>\$ 137,945,046</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 4,259,863	\$ 660,702	\$ 538,669	\$ --	\$ (3,060,492)	\$ --	\$ (3,060,492)
Public safety	4,622,373	397,525	133,665	--	(4,091,183)	--	(4,091,183)
Public works	3,849,228	668,696	--	--	(3,180,532)	--	(3,180,532)
Culture and recreation	3,942,326	581,596	--	--	(3,360,730)	--	(3,360,730)
Conservation and development	686,066	--	--	--	(686,066)	--	(686,066)
Interest on long-term debt	156,457	--	--	--	(156,457)	--	(156,457)
Total Governmental Activities	17,516,313	2,308,519	672,334	--	(14,535,460)	--	(14,535,460)
Business-type Activities:							
Water	4,755,925	5,014,893	1,223,368	--	--	1,482,336	1,482,336
Sewer	2,576,633	3,260,466	--	--	--	683,833	683,833
Airport	1,669,501	249,236	--	224,666	--	(1,195,599)	(1,195,599)
Solidwaste	2,465,887	3,084,351	43,290	--	--	661,754	661,754
Golf	593,233	361,258	--	--	--	(231,975)	(231,975)
Total Business-type Activities	12,061,179	11,970,204	1,266,658	224,666	--	1,400,349	1,400,349
Total Primary Government	\$ 29,577,492	\$ 14,278,723	\$ 1,938,992	\$ 224,666	(14,535,460)	1,400,349	(13,135,111)
General Revenues:							
Taxes:							
Property taxes					6,145,889	--	6,145,889
Sales taxes					10,055,928	--	10,055,928
State shared revenues					184,376	--	184,376
Grants and Contributions not Restricted to Specific Programs							
Unrestricted investment earnings					19,703	--	19,703
Miscellaneous revenues					469,455	459,771	929,226
Transfers					183,925	--	183,925
					(8,830,691)	8,830,691	--
Total General Revenues and Transfers					8,228,585	9,290,462	17,519,047
Change in Net Position					(6,306,875)	10,690,811	4,383,936
Net Position, Beginning of Year					60,817,980	72,743,130	133,561,110
Net Position, End of Year					\$ 54,511,105	\$ 83,433,941	\$ 137,945,046

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Balance Sheet – Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Additional Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 6,793,011	\$ 2,471,311	\$ 1,289,110	\$ 10,553,432
Taxes receivable-delinquent	119,171	--	--	119,171
Accounts Receivable	254,778	--	32,378	287,156
Interest receivable - special assessments	--	--	3,925	3,925
Due from other governments	159,015	49,292	7,652	215,959
Supply inventory	374,423	--	168,072	542,495
Total Assets	<u><u>\$ 7,700,398</u></u>	<u><u>\$ 2,520,603</u></u>	<u><u>\$ 1,501,137</u></u>	<u><u>\$ 11,722,138</u></u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 35,910	\$ 35,910
Accrued interest payable	--	--	12,007	12,007
Accrued wages payable	127,176	--	38,959	166,135
Amounts held for others	--	--	7,994	7,994
Total Liabilities	<u><u>127,176</u></u>	<u><u>--</u></u>	<u><u>94,870</u></u>	<u><u>222,046</u></u>
Fund Balances:				
Nonspendable				
Inventory	374,423	--	168,072	542,495
Restricted				
TIF	--	525,000	--	525,000
E911	--	--	8,703	8,703
3rd Penny Purposes	--	--	153,347	153,347
Dakota Learners	--	--	3,390	3,390
BID Assessment	--	--	246,589	246,589
Committed				
2nd Penny Purposes	--	1,995,603	--	1,995,603
Assigned				
Public Safety	--	--	16,121	16,121
Culture & Recreation	--	--	471,359	471,359
Unassigned	7,198,799	--	338,686	7,537,485
Total Fund Balances	<u><u>7,573,222</u></u>	<u><u>2,520,603</u></u>	<u><u>1,406,267</u></u>	<u><u>11,500,092</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 7,700,398</u></u>	<u><u>\$ 2,520,603</u></u>	<u><u>\$ 1,501,137</u></u>	<u><u>\$ 11,722,138</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron

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

Total Fund Balances Government Funds	\$ 11,500,092
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not available financial resource and therefore is not reported in the funds.	25,792
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,061,314
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	2,015,773
Long-term liabilities, including bonds payable, is not due and payable in the current period and therefore are not reported in the funds.	(8,179,974)
Accrued leave payable is not due and payable in the current period and therefore is not reported in the funds.	(622,092)
Pension and OPEB related deferred inflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds.	<u>(1,289,800)</u>
Net Position Governmental Activities	<u>\$ 54,511,105</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Additional Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes:				
General property taxes	\$ 5,652,816	\$ --	\$ 404,440	\$ 6,057,256
General sales and use taxes	4,788,039	4,788,038	479,851	10,055,928
Gross receipts business taxes	74,833	--	--	74,833
Penalties and interest on taxes	13,800	--	--	13,800
Licenses and permits	293,620	--	--	293,620
Intergovernmental Revenue:				
Federal grants	125,410	--	8,255	133,665
State grants	520,977	--	17,692	538,669
State shared revenues:				
Bank franchise tax	86,575	--	--	86,575
Liquor tax reversion (25%)	97,801	--	--	97,801
Motor vehicle licenses	113,324	--	--	113,324
Fire insurance premiums reversion	54,521	--	--	54,521
Local government highway and bridge	408,752	--	--	408,752
911 Remittances	--	--	322,739	322,739
County shared revenues:				
Payment in Lieu of Taxes	8,078	--	11,625	19,703
County Road Tax	32,289	--	--	32,289
Charges for Goods or Services:				
General government	14,895	--	352,187	367,082
Public safety	70,012	--	--	70,012
Highways and streets	37,180	--	--	37,180
Health	4,551	--	--	4,551
Culture and recreation	12,901	--	568,695	581,596
Cemetery	22,630	--	--	22,630
Fines and Forfeits:				
Court fines	223	--	--	223
Miscellaneous Revenue:				
Interest earned	211,919	210,401	47,135	469,455
Rentals	49,572	--	--	49,572
Contributions from private sources	--	--	129,116	129,116
Total Revenues	\$ 12,694,718	\$ 4,998,439	\$ 2,341,735	\$ 20,034,892

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2023 (Continued)

	<u>General Fund</u>	<u>Additional Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>				
General Government:				
Legislative	\$ 353,613	\$ --	\$ --	\$ 353,613
Financial administration	728,209	--	--	728,209
Other	1,683,345	--	911,541	2,594,886
Public Safety:				
Police	2,538,105	--	--	2,538,105
Fire	984,690	--	--	984,690
Other protection	202,210	--	690,126	892,336
Public Works:				
Highways and streets	1,930,655	--	266,818	2,197,473
Culture and Recreation:				
Recreation	--	--	1,083,575	1,083,575
Parks	11,625	--	1,020,809	1,032,434
Libraries	937,843	--	--	937,843
Conservation and Development:				
Economic development and assistance	240,000	--	446,066	686,066
Debt Service	--	--	957,683	957,683
Capital Outlay	4,533,502	--	272,807	4,806,309
Total Expenditures	<u>14,143,797</u>	<u>--</u>	<u>5,649,425</u>	<u>19,793,222</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,449,079)</u>	<u>4,998,439</u>	<u>(3,307,690)</u>	<u>241,670</u>
Other Financing Sources (Uses):				
Transfers-in	4,889,825	--	3,526,484	8,416,309
Sale of city property	51,085	--	--	51,085
Long-term debt issued	--	--	7,840,000	7,840,000
Premiums on bonds issued	--	--	357,867	357,867
Transfers out	<u>(2,360,334)</u>	<u>(5,688,594)</u>	<u>(9,198,072)</u>	<u>(17,247,000)</u>
Total Other Financing Sources (Uses)	<u>2,580,576</u>	<u>(5,688,594)</u>	<u>2,526,279</u>	<u>(581,739)</u>
Net Change in Fund Balances	1,131,497	(690,155)	(781,411)	(340,069)
Fund Balance, Beginning of Year	<u>6,441,725</u>	<u>3,210,758</u>	<u>2,187,678</u>	<u>11,840,161</u>
Fund Balance, End of Year	<u>\$ 7,573,222</u>	<u>\$ 2,520,603</u>	<u>\$ 1,406,267</u>	<u>\$ 11,500,092</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
 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 Government Funds \$ (340,069)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense. 1,631,055

In the statement of activities, the loss or gain on the sale or disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from these sales are reported. (45,848)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liability in the statement of net assets. 801,226

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (8,197,867)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (62,023)

Changes in the pension related deferred outflows/inflows are direct components of net pension asset and are not reflected in the governmental funds. (93,349)

Change in Net Position of Governmental Activities \$ (6,306,875)

City of Huron
Statement of Net Position – Proprietary Funds
December 31, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Solidwaste Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Assets:						
Current Assets:						
Cash and cash equivalents	\$ 3,087,784	\$ 3,601,143	\$ --	\$ 8,864,258	\$ --	\$ 15,553,185
Accounts receivable	349,551	338,020	--	309,085	894	997,550
Due from other governments	--	--	38,965	--	--	38,965
Supply inventory	1,158,652	12,951	30,021	658,740	22,785	1,883,149
Total Current Assets	<u>4,595,987</u>	<u>3,952,114</u>	<u>68,986</u>	<u>9,832,083</u>	<u>23,679</u>	<u>18,472,849</u>
Noncurrent Assets:						
Restricted cash and cash equivalents	364,657	700,000	--	--	--	1,064,657
Net pension asset	1,900	2,011	801	2,682	411	7,805
Capital Assets:						
Land	81,165	804,750	1,837,223	110,000	136,210	2,969,348
Buildings and Improvements	35,600,564	33,623,235	30,904,899	1,248,068	2,472,351	103,849,117
Machinery and equipment	970,271	1,298,805	2,489,194	3,582,851	592,856	8,933,977
Construction in progress	--	14,543,517	146,381	2,555,220	--	17,245,118
Accumulated depreciation	(15,342,909)	(19,933,454)	(15,543,390)	(3,721,698)	(2,087,282)	(56,628,733)
Intangible lease assets	--	--	--	--	104,057	104,057
Accumulated amortization (leased assets)	--	--	--	--	(62,434)	(62,434)
Total Capital Assets	<u>21,309,091</u>	<u>30,336,853</u>	<u>19,834,307</u>	<u>3,774,441</u>	<u>1,155,758</u>	<u>76,410,450</u>
Total Noncurrent Assets	<u>21,675,648</u>	<u>31,038,864</u>	<u>19,835,108</u>	<u>3,777,123</u>	<u>1,156,169</u>	<u>77,482,912</u>
Total Assets	<u>26,271,635</u>	<u>34,990,978</u>	<u>19,904,094</u>	<u>13,609,206</u>	<u>1,179,848</u>	<u>95,955,761</u>
Deferred Outflows of Resources:						
Pension related deferred outflows	\$ 148,493	\$ 157,182	\$ 62,579	\$ 209,647	\$ 32,100	\$ 610,001
Liabilities:						
Current Liabilities:						
Accounts payable	\$ --	\$ 126,385	\$ 105	\$ 575,574	\$ --	\$ 702,064
Accrued interest payable	4,329	54,361	--	--	--	58,690
Accrued wages payable	16,821	16,821	3,942	22,306	1,682	61,572
Customer deposits	383,202	--	--	--	--	383,202
Lease liabilities - current	--	--	--	--	21,005	21,005
Bonds payable - current:						
Revenue	177,731	261,754	--	--	--	439,485
Total Current Liabilities	<u>582,083</u>	<u>459,321</u>	<u>4,047</u>	<u>597,880</u>	<u>22,687</u>	<u>1,666,018</u>
Noncurrent Liabilities:						
Bonds payable:						
Revenue	583,838	10,232,573	--	--	--	10,816,411
Lease liabilities	--	--	--	--	21,272	21,272
Accrued leave payable	47,114	47,114	27,526	112,133	3,922	237,809
Total Noncurrent Liabilities	<u>630,952</u>	<u>10,279,687</u>	<u>27,526</u>	<u>112,133</u>	<u>25,194</u>	<u>11,075,492</u>
Total Liabilities	<u>1,213,035</u>	<u>10,739,008</u>	<u>31,573</u>	<u>710,013</u>	<u>47,881</u>	<u>12,741,510</u>
Deferred Inflows of Resources:						
Pension related deferred inflows	95,013	100,574	40,041	134,143	20,540	390,311
Net Position						
Net investment in capital assets	20,547,522	19,842,526	19,834,307	3,774,441	1,134,486	65,133,282
Restricted for						
Revenue bond debt service	--	700,000	--	--	--	700,000
SDRS pension purposes	55,380	58,619	23,339	78,186	11,971	227,495
Unrestricted net position	4,509,178	3,707,433	37,413	9,122,070	(2,930)	17,373,164
Total Net Position	<u>\$ 25,112,080</u>	<u>\$ 24,308,578</u>	<u>\$ 19,895,059</u>	<u>\$ 12,974,697</u>	<u>\$ 1,143,527</u>	<u>\$ 83,433,941</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds For the Year Ended December 31, 2023

	Water Fund	Sewer Fund	Airport Fund	Solidwaste Fund	Golf Fund	Total
Operating Revenues:						
Charges for goods and services	\$ 5,014,893	\$ 3,260,466	\$ 247,990	\$ 3,084,351	\$ 361,258	\$ 11,968,958
Miscellaneous	--	--	1,246	--	--	1,246
Total Operating Revenue	<u>5,014,893</u>	<u>3,260,466</u>	<u>249,236</u>	<u>3,084,351</u>	<u>361,258</u>	<u>11,970,204</u>
Operating Expenses:						
Personal services	670,378	715,566	278,016	1,006,530	228,416	2,898,906
Other current expense	3,041,709	539,188	480,013	1,199,225	237,662	5,497,797
Depreciation and amortization	1,013,597	1,152,574	826,020	260,132	127,155	3,379,478
Total Operating Expenses	<u>4,725,684</u>	<u>2,407,328</u>	<u>1,584,049</u>	<u>2,465,887</u>	<u>593,233</u>	<u>11,776,181</u>
Operating Income (Loss)	<u>289,209</u>	<u>853,138</u>	<u>(1,334,813)</u>	<u>618,464</u>	<u>(231,975)</u>	<u>194,023</u>
Nonoperating Revenue (Expense):						
Operating grants	1,223,368	--	--	43,290	--	1,266,658
Interest earned	144,670	149,326	333	165,346	96	459,771
Interest expense	(30,241)	(169,305)	--	--	--	(199,546)
Loss on sale of capital assets	--	--	(85,452)	--	--	(85,452)
Total Nonoperating Revenue (Expense)	<u>1,337,797</u>	<u>(19,979)</u>	<u>(85,119)</u>	<u>208,636</u>	<u>96</u>	<u>1,441,431</u>
Net Income (Loss) before Capital Contributions and Transfers	1,627,006	833,159	(1,419,932)	827,100	(231,879)	1,635,454
Capital contributions	--	--	224,666	--	--	224,666
Transfers in	--	--	603,976	8,036,538	190,177	8,830,691
Change in Net Position	1,627,006	833,159	(591,290)	8,863,638	(41,702)	10,690,811
Net Position, Beginning of Year	23,485,074	23,475,419	20,486,349	4,111,059	1,185,229	72,743,130
Net Position, End of Year	<u>\$ 25,112,080</u>	<u>\$ 24,308,578</u>	<u>\$ 19,895,059</u>	<u>\$ 12,974,697</u>	<u>\$ 1,143,527</u>	<u>\$ 83,433,941</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Solidwaste Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:						
Receipts from customers	\$ 3,801,513	\$ 3,164,860	\$ 223,218	\$ 3,033,990	\$ 361,024	\$ 10,584,605
Payments to employees for services	(657,843)	(702,171)	(276,004)	(978,907)	(227,799)	(2,842,724)
Payments to suppliers	(4,149,552)	(412,803)	(479,908)	(631,481)	(237,662)	(5,911,406)
Net Cash Provided (Used) by Operating Activities	<u>(1,005,882)</u>	<u>2,049,886</u>	<u>(532,694)</u>	<u>1,423,602</u>	<u>(104,437)</u>	<u>1,830,475</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers in from other funds	--	--	603,976	8,036,538	190,177	8,830,691
Operating grants received	1,223,368	--	--	43,290	--	1,266,658
Net Cash Provided by Non-Capital Financing Activities	<u>1,223,368</u>	<u>--</u>	<u>603,976</u>	<u>8,079,828</u>	<u>190,177</u>	<u>10,097,349</u>
Cash Flows from Capital and Related Financing Activities:						
Capital contributions	--	--	224,666	--	--	224,666
Proceeds from sale of capital assets	--	--	(85,452)	--	--	(85,452)
Purchase of capital assets	(2,534,757)	(1,441,924)	(369,425)	(2,682,416)	(65,093)	(7,093,615)
Debt principal paid	(309,764)	(192,707)	--	--	(21,005)	(523,476)
Debt interest paid	(31,090)	(285,630)	--	--	--	(316,720)
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,875,611)</u>	<u>(1,920,261)</u>	<u>(230,211)</u>	<u>(2,682,416)</u>	<u>(86,098)</u>	<u>(7,794,597)</u>
Cash Flows from Investing Activities:						
Cash received for interest	144,670	149,326	333	165,346	96	459,771
Net Cash Provided by Investing Activities	<u>144,670</u>	<u>149,326</u>	<u>333</u>	<u>165,346</u>	<u>96</u>	<u>459,771</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,513,455)	278,951	(158,596)	6,986,360	(262)	4,592,998
Cash and Cash Equivalents, Beginning of Year	<u>5,965,896</u>	<u>4,022,192</u>	<u>158,596</u>	<u>1,877,898</u>	<u>--</u>	<u>12,024,582</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,452,441</u>	<u>\$ 4,301,143</u>	<u>\$ --</u>	<u>\$ 8,864,258</u>	<u>\$ (262)</u>	<u>\$ 16,617,580</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 289,209	\$ 853,138	\$ (1,334,813)	\$ 618,464	\$ (231,975)	\$ 194,023
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,013,597	1,152,574	826,020	260,132	127,155	3,379,478
Changes in Assets and Liabilities:						
Receivables	1,753	(95,606)	--	(50,361)	(234)	(144,448)
Due from other governments	--	--	(26,018)	--	--	(26,018)
Customer deposits	8,235	--	--	--	--	8,235
Inventories	(1,107,843)	--	--	(7,830)	--	(1,115,673)
Net pension asset/liability	7,030	7,890	1,818	14,036	818	31,592
Unearned revenue	(1,223,368)	--	--	--	--	(1,223,368)
Accounts and other payables	--	126,385	105	575,574	--	702,064
Accrued leave	5,505	5,505	194	13,587	(201)	24,590
Cash Flows Provided (Used) by Operating Activities	<u>\$ (1,005,882)</u>	<u>\$ 2,049,886</u>	<u>\$ (532,694)</u>	<u>\$ 1,423,602</u>	<u>\$ (104,437)</u>	<u>\$ 1,830,475</u>
Reconciliation of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 3,087,784	\$ 3,601,143	\$ --	\$ 8,864,258	\$ --	\$ 15,553,185
Restricted cash and cash equivalents	364,657	700,000	--	--	--	1,064,657
	<u>\$ 3,452,441</u>	<u>\$ 4,301,143</u>	<u>\$ --</u>	<u>\$ 8,864,258</u>	<u>\$ --</u>	<u>\$ 16,617,842</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The City of Huron, South Dakota, was incorporated under the laws of the State of South Dakota on February 1, 1881. The city operates under a commission form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (water, sewer, airport and solid waste), highways and streets, health, culture and recreation, public improvements, planning and zoning and general administrative services.

The reporting entity of the City of Huron, 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its City Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Huron, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Commission, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The City Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Commission the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Board of Commissioners, Huron Housing and Redevelopment Authority, Huron, SD 57350. The financial activity of the Commission, a component unit of the City, has not been included in the financial statements in this report.

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.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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 City 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% 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% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

Additional Sales Tax Fund: The Special Sales Tax Fund is used to account for an additional one percent sales tax which may be used for debt retirement, capital improvements, land acquisition, vehicles and equipment, and emergency response equipment, passed by ordinance in 2003.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

The remaining Special Revenue funds are not considered major funds: Park, Capital Projects Fund, Softball Development, Community Gardens, Central Park Operations, BBB Tax, Community Campus, E911, Huron Event Center, TIF #3, TIF #4, Library-Smogard Estate, Library Endowment, Florence Grant Estate, Bowe/Lampert Estate, Library Trustee Memorial, Payment in Lieu of Taxes, Community Bike Program, Pop Machine Money, Janette Lust Estate, Norma Gilbert Charitable, DARE, City Cafeteria Fund, Park, CARES COVID-19, and Rec SP Projects, Soccer, Ravine Park Trust, Dakota Learners, BID Tax, and Huron Get Fit. These funds are reported on the fund financial statements as “Other Governmental Funds.”

Governmental Funds:

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.

2012 Curb/Gutter/Street, Sales Tax Bonds, and TIF #5 – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. These are not major funds.

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 – 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 payable “solely” from the revenues of the activity.)
- b. Laws or regulation 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 city 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 city sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

Solid Waste Fund – Financed primarily by user charges, this fund accounts for the operation of the related facilities of the restricted use site. This is a major fund.

Golf Fund – Financed by user charges, this fund accounts for operation of the City golf course. This is a major fund.

Airport Fund – Financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. 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 fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

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 for the City of Huron is 30 days. The revenues which are accrued at December 31, 2023, are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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 revenues recognition criteria have not been met, are reported as a deferred inflow 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 debt which are recognized when due.

All proprietary fund types 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. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

e. 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.

f. Capital Assets:

Capital Assets include land, buildings, improvements other than buildings, machinery and equipment, construction in process, 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 a 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 government-wide or fund financial statements.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Statements:

Capital assets are recorded at historical cost or estimated cost where actual historical cost could not be determined. Donated capital assets are valued at their 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.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	All	-- *	--
Buildings	\$ 50,000	straight-line	40-99 years
Improvements other than buildings	\$ 50,000	straight-line	10-50 years
Machinery and equipment	\$10,000-25000	straight-line	3-25 years
Intangible Lease Assets	\$ 45,000	straight-line	5-20 years

*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 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 financial statements.

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

g. 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 financial statements. The long-term liabilities primarily consist of compensated absences, revenue bonds, and lease liabilities.

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 debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City'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.
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.

i. 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.

1. Summary of Significant Accounting Policies: (Continued)

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in 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.

k. Cash and Cash Equivalents:

The City 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.

l. 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 positions that do not meet the definition of "restricted" or "net investment in capital assets."

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.

m. Application of Net Position:

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

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

n. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
2. 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.
3. Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are not considered restricted. Fund Balance may be assigned by the Finance Officer.
4. Unassigned – Includes positive fund balances within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

The City Governing Board committed the following fund balance types by taking the following action:

Fund Balance Type	Amount	Action
Additional Sales Tax Fund	\$1,995,603	City Ordinance

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

Additional Sales Tax Fund – Accounts for the collections of the second cent of City sales tax and the uses of these funds for capital improvement projects (and other related costs) and debt service.

The City uses restricted 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 Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

City of Huron
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

o. 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. City contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

p. Leases:

The City is a lessee for a noncancellable lease of copiers. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Huron
Notes to Financial Statements
December 31, 2023

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

The City 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 City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, 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% 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 qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments:

In general, SDLC 4-5-6 permits City 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, 2023 the City did not have any investments.

Credit Risk:

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

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023, the City's deposits in financial institutions were not exposed to custodial credit risk.

City of Huron
Notes to Financial Statements
December 31, 2023

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

Interest-rate Risk:

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

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income:

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

3. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
\$ 364,657	Customer deposits
\$ 700,000	Debt Service

4. Receivables and Payables:

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

City of Huron
Notes to Financial Statements
December 31, 2023

5. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2023 was as follows:

Restricted for:	
TIF	\$ 525,000
E911	8,703
3rd Penny Purposes	153,347
Dakota Learners	3,390
BID Assessment	246,589
Debt Services	700,000
SDRS Pension Purposes	979,260
Total Restricted Net Position	<u>\$ 2,616,289</u>

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

6. Inventory:

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of is charged to expense as it is consumed.

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.

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 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 are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

City of Huron
Notes to Financial Statements
December 31, 2023

8. Changes in Capital Assets:

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

	<u>Balance 1/01/23</u>	<u>Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/23</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,160,774	\$ --	\$ 1,715,591	\$ (16,508)	\$ 4,859,857
Construction in progress	144,183	--	1,041,631	(63,576)	1,122,238
Total, not being depreciated	<u>3,304,957</u>	<u>--</u>	<u>2,757,222</u>	<u>(80,084)</u>	<u>5,982,095</u>
Capital assets, being depreciated:					
Buildings	25,438,327	--	297,534	(1,537,289)	24,198,572
Improvements other than buildings	69,512,429	--	1,222,219	(27,569)	70,707,079
Machinery and equipment	20,220,335	(71,825)	592,910	(165,419)	20,576,001
Total, being depreciated	<u>115,171,091</u>	<u>(71,825)</u>	<u>2,112,663</u>	<u>(1,730,277)</u>	<u>115,481,652</u>
Less accumulated depreciation for:					
Buildings	10,529,019	--	440,091	(1,537,289)	9,431,821
Improvements other than buildings	48,492,823	--	1,609,036	--	50,101,859
Machinery and equipment	9,978,099	(71,825)	1,126,127	(163,648)	10,868,753
Total accumulated depreciation	<u>68,999,941</u>	<u>(71,825)</u>	<u>3,175,254</u>	<u>(1,700,937)</u>	<u>70,402,433</u>
Governmental Activity Capital Assets, Net	<u>\$ 49,476,107</u>	<u>\$ --</u>	<u>\$ 1,694,631</u>	<u>\$ (109,424)</u>	<u>\$ 51,061,314</u>

Depreciation expense was charged to functions as follows:

General government	\$ 427,783
Public safety	207,242
Public works	1,651,755
Culture and recreation	888,474
Total Depreciation Expense	<u>3,175,254</u>
Governmental Activities	<u>\$ 3,175,254</u>

City of Huron
Notes to Financial Statements
December 31, 2023

8. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2023 is as follows: (Continued)

	<u>Balance</u> <u>1/01/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2023</u>
Business-Type Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,969,348	\$ --	\$ --	\$ 2,969,348
Construction in progress	13,595,685	4,041,635	(392,202)	17,245,118
Total, not being depreciated	<u>16,565,033</u>	<u>4,041,635</u>	<u>(392,202)</u>	<u>20,214,466</u>
Capital assets, being depreciated/amortized:				
Buildings	19,347,262	217,189	(149,165)	19,415,286
Improvements other than buildings	81,569,083	2,864,748	--	84,433,831
Machinery and equipment	8,620,659	447,697	(206,204)	8,862,152
Intangible lease assets (a)	104,057	--	--	104,057
Total, being depreciated	<u>109,641,061</u>	<u>3,529,634</u>	<u>(355,369)</u>	<u>112,815,326</u>
Less accumulated depreciation/amortization for:				
Buildings	9,242,176	365,994	(63,713)	9,544,457
Improvements other than buildings	37,209,630	2,511,029	--	39,720,659
Machinery and equipment	7,016,353	481,643	(206,204)	7,291,792
Intangible lease assets (a)	41,622	20,812	--	62,434
Total accumulated depreciation/amortization	<u>53,509,781</u>	<u>3,379,478</u>	<u>(269,917)</u>	<u>56,619,342</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 72,696,313</u>	<u>\$ 4,191,791</u>	<u>\$ (477,654)</u>	<u>\$ 76,410,450</u>
(a) Restated - see note 15				

Depreciation/amortization expense was charged to functions as follows:

Water	\$ 1,013,597
Sewer	1,152,574
Airport	826,020
Golf	127,155
Solidwaste	260,132
Total Depreciation Expense	<u>3,379,478</u>
Business-Type Activities	<u>\$ 3,379,478</u>

City of Huron
Notes to Financial Statements
December 31, 2023

8. Changes in Capital Assets: (Continued)

Construction work in progress at December 31, 2023 is composed of the following:

<u>Project Name</u>	<u>Expended thru 12/31/2023</u>
SBR Wastewater Plant Project	\$ 14,390,770
Solid Waste Trasfer Station	2,555,220
Parking Ramp	909,089
Huron Event Center Updates	213,149
Airport Project	146,381
John Deere Cab Tractor 6105E/Mower Boom	68,246
Sewer Main Lining	40,923
Lift Station Improvement - Flanery Lift	15,883
Lift Station Improvement - 6th/Lawnridge	14,319
Lift Station Improvement - 18th/Indiana	11,094
Lift Station Improvement - 20th/Ohio Wet Well	2,282
	<u>\$ 18,367,356</u>

9. Long-Term Liabilities:

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 783,333	\$ 7,840,000	\$ (783,333)	\$ 7,840,000	\$ 165,000
Plus unamortized premium	--	357,867	(17,893)	339,974	--
Total Debt	<u>783,333</u>	<u>8,197,867</u>	<u>(801,226)</u>	<u>8,179,974</u>	<u>165,000</u>
Accrued Compensated Absences	560,069	570,921	(508,898)	622,092	--
Total Governmental Activities	<u>\$ 1,343,402</u>	<u>\$ 8,768,788</u>	<u>\$ (1,310,124)</u>	<u>\$ 8,802,066</u>	<u>\$ 165,000</u>
Business-type Activities:					
Bonds Payable:					
Revenue	\$ 11,758,367	\$ --	\$ (502,473)	\$ 11,255,894	\$ 439,485
Total Debt	<u>11,758,367</u>	<u>--</u>	<u>(502,473)</u>	<u>11,255,894</u>	<u>439,485</u>
Leases	63,020	--	(20,743)	42,277	21,005
Accrued Compensated Absences	216,071	148,615	(126,877)	237,809	--
Total Business Type Activities	<u>\$ 12,037,458</u>	<u>\$ 148,615</u>	<u>\$ (650,093)</u>	<u>\$ 11,535,980</u>	<u>\$ 460,490</u>

City of Huron
Notes to Financial Statements
December 31, 2023

9. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2023 is comprised of the following: (Continued)

Revenue Bonds:

2023 Sales Tax Revenue Bonds	In September 2023, the municipality obtained funding in the amount of \$7,840,00 sale tax revenue bonds for a soildwaste project. This loan carries an interest rate of 5.0%. The repayment period begins in June 2024 for 20 years ending in 2043. The Additional Sale Tax Fund makes payment on this debt.	<u>\$ 7,840,000</u>
Subtotal Governmental Revenue Bonds		<u>7,840,000</u>
Series 2002 SRF	In September 2002, the municipality obtained funding in the amount of \$4,000,000 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3.5 percent. The repayment period of 20 years began July 1, 2004 with quarterly payments due every January, April, July and October 1. The Water Fund makes payment on this debt.	140,367
Series 2010 SRF	In February 2010, the municipality obtained funding in the amount of \$383,683 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3 percent. The repayment period of 20 years began July 1, 2011 with quarterly payments due every January, April, July and October 1. The Water Fund makes payment on this debt.	171,234
Series 2012 SRF	In December 2012, the municipality obtained funding in the amount of \$592,073 through the South Dakota Revolving Loan Fund for construction of a water tower. This loan carries a fixed interest rate of 3.250%. The repayment period of 30 years begins January 15, 2015 with quarterly payments due every January, April, July and October 15. The Water Fund makes payment on this debt.	449,966
Series 2021 Clean Water	In December 2021, the municipality obtained funding in the amount of \$10,687,034 through the South Dakota Revolving Loan Fund for the updrade of the water treatment system. This loan carries a interet rate of 2.125%; Terms are for quarterly payments of 168,760, matures January 15, 2053. Total issuance is \$14,946,000. The Sewer Fund makes payment on this debt.	<u>10,494,327</u>
Subtotal Business-type Revenue Bonds		<u>11,255,894</u>

City of Huron
Notes to Financial Statements
December 31, 2023

9. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2023 is comprised of the following: (Continued)

Leases:

In December 2020, the City entered into an agreement to lease golf carts with NB Golf LLC, in the amount of 104,057. There is an imputed interest rate of 1.26% and payments are made annually in 6 monthly payments of \$3,580. Final payment is due September 2025. The Golf Fund make payment on this debt.

42,277

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2023. The compensated absences in the Governmental Activities are currently paid from the General Fund and Other Governmental Funds. The compensated absences in the Business-Type Activities are currently paid from the Water Fund, Sewer Fund, Airport Fund, Solidwast Fund, and Golf Course Fund.

859,901

Grand Total

\$ 19,998,072

The annual requirements to amortize all debt outstanding as of December 31, 2023 except for compensated absences are as follows:

Years Ending December 31,	Revenue Bonds		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 604,485	\$ 690,248	\$ 21,005	\$ 479	\$ 625,490	\$ 690,727
2025	560,858	594,091	21,272	213	582,130	594,304
2026	577,753	574,408	--	--	577,753	574,408
2027	599,806	554,066	--	--	599,806	554,066
2028	622,020	531,812	--	--	622,020	531,812
2029-2033	3,383,102	2,316,651	--	--	3,383,102	2,316,651
2034-2038	3,968,081	1,658,351	--	--	3,968,081	1,658,351
2039-2043	4,736,106	894,893	--	--	4,736,106	894,893
2044-2048	2,087,120	326,258	--	--	2,087,120	326,258
2049-2053	1,956,563	94,868	--	--	1,956,563	94,868
Totals	<u>\$ 19,095,894</u>	<u>\$ 8,235,646</u>	<u>\$ 42,277</u>	<u>\$ 692</u>	<u>\$ 19,138,171</u>	<u>\$ 8,236,338</u>

City of Huron
Notes to Financial Statements
December 31, 2023

10. Interfund Transfers:

Interfund transfers for the year ended December 31, 2023 were as follows:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,889,825	\$ 2,360,334
Additional Sales Tax	--	5,688,594
Covid - 19	--	758,060
Park and Recreation	1,107,307	4,084
Capital Projects	230,843	--
Bed, Board & Booze	--	386,875
Splash Central/Central Park	386,564	728
Huron Community Campus	284,469	6,738
E911	345,560	4,052
Huron Event Center	162,888	999
Sales Tax Bonds	796,353	8,036,537
Curb/Gutter/Streets	212,500	--
Airport	603,977	--
Golf	190,177	--
Solidwaste	8,036,538	--
	<u>\$ 17,247,001</u>	<u>\$ 17,247,001</u>

The above transfers were made as budgeted spending transfers to subsidize operation of the various funds, for capital purchase, and to credit interest earned from various funds to the general fund.

11. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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://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.

11. Pension Plan: (Continued)

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/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 reduced the minimum COLA from 0.5 percent to 0.0 percent.

City of Huron
Notes to Financial Statements
December 31, 2023

11. Pension Plan: (Continued)

Contributions:

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

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 contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to the required contributions each year, were as follows:

2023	\$	556,886
2022		507,918
2021		491,974

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

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

Proportionate share of pension liability	\$ 49,879,283
Less proportionate share of net pension restricted for pension benefits	<u>49,912,880</u>
Proportionate share of net pension (asset)	<u><u>\$ (33,597)</u></u>

At December 31, 2023, the City reported an asset of \$(33,597) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.34421600%, which is an increase of 0.0004790% from its proportion measured as of June 30, 2022.

City of Huron
Notes to Financial Statements
December 31, 2023

11. Pension Plan: (Continued)

For the year ended December 31, 2023, the City recognized a reduction of pension expense of \$(124,939). At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 952,324	\$ --
Changes in assumption	1,148,635	1,679,049
Net Difference between projected and actual earnings on pension plan investments	223,677	--
Changes in proportion and difference between City contributions and proportionate share of contributions	20,723	1,062
City contributions subsequent to the measurement date	280,415	--
	\$ 2,625,774	\$ 1,680,111

\$280,415 reported as deferred outflow of resources related to pensions resulting from City 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,		
2024	\$	466,398
2025		(501,439)
2026		653,232
2027		47,166
	\$	665,357

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, 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%

City of Huron
Notes to Financial Statements
December 31, 2023

11. Pension Plan: (Continued)

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%
Investmnet grade d	22.8%	1.7%
High yield debt	7.0%	2.7%
Real estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100%	

City of Huron
Notes to Financial Statements
December 31, 2023

11. Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. 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 (asset).

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

The following presents the City's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the City'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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension (asset)	\$ 6,886,210	\$ (33,597)	\$ (5,692,679)

Pension Plan Fiduciary Net Position:

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

12. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023 the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

12. Risk Management: (Continued)

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for:

General liability, vehicles and equipment

The City's deductibles range from \$1,000-\$5,000 and a \$10,000 deductible for larger equipment.

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

Workers' Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The City pays an annual premium to provide workers' compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

City of Huron
Notes to Financial Statements
December 31, 2023

13. Significant Contingencies – Litigation:

At December 31, 2023, the City was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

Required Supplemental Information

City of Huron
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General property taxes	\$ 5,804,182	\$ 5,804,182	\$ 5,652,816	\$ (151,366)
General sales and use taxes	4,161,000	4,161,000	4,788,039	627,039
Gross receipts business taxes	--	--	74,833	74,833
Amusement taxes	750	750	--	(750)
Excise tax	500	500	--	(500)
Tax deed revenue	100	100	--	(100)
Penalties and interest on delinquent taxes	15,000	15,000	13,800	(1,200)
Licenses and permits	115,000	115,000	293,620	178,620
Intergovernmental Revenue:				
Federal grants	--	--	125,410	125,410
State grants	100,000	100,000	520,977	420,977
Surface transportation program	530,000	530,000	--	(530,000)
State Shared Revenue:				
Bank franchise tax	66,000	66,000	86,575	20,575
Liquor tax reversion	120,000	120,000	97,801	(22,199)
Motor vehicle licenses (5%)	115,000	115,000	113,324	(1,676)
Fire insurance premiums reversion	50,000	50,000	54,521	4,521
Local government highway and bridge fund	425,000	425,000	408,752	(16,248)
County Shared Revenue:				
County road tax (25%)	35,000	35,000	32,289	(2,711)
County payments in lieu of taxes	7,100	7,100	8,078	978
Charges for Goods and Services:				
General government	90,500	90,500	14,895	(75,605)
Public safety	65,500	65,500	70,012	4,512
Highways and streets	25,500	25,500	37,180	11,680
Health	9,000	9,000	4,551	(4,449)
Culture and recreation	--	--	12,901	12,901
Other	--	--	22,630	22,630
Fines and Forfeits:				
Court Fines and Costs	900	900	223	(677)
Library	10,000	10,000	--	(10,000)
Miscellaneous Revenue:				
Investment earnings	30,000	30,000	211,919	181,919
Rentals	72,000	72,000	49,572	(22,428)
Other	223,250	223,250	--	(223,250)
Liquor fees	46,700	46,700	--	(46,700)
Other means of financing	2,903,472	2,903,472	--	(2,903,472)
Total Revenue	<u>\$ 15,021,454</u>	<u>\$ 15,021,454</u>	<u>\$ 12,694,718</u>	<u>\$ (2,326,736)</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	\$ 593,713	\$ 2,533,266	\$ 2,085,574	\$ 447,692
Contingency				
Amount Transferred (Enter as Negative)				
Financial Administration	830,437	830,437	728,209	102,228
Other	2,990,450	2,990,450	2,931,178	59,272
Public Safety:				
Police	2,478,067	2,643,926	2,639,166	4,760
Fire	917,065	984,690	984,690	--
Protective inspection	201,991	202,210	202,210	--
Public Works:				
Highways and streets	3,210,054	3,306,054	3,305,790	264
Culture and Recreation:				
Parks	11,530	11,625	11,625	--
Libraries	1,058,622	1,058,622	1,015,355	43,267
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	165,000	240,000	240,000	--
Total Expenditures	<u>12,456,929</u>	<u>14,801,280</u>	<u>14,143,797</u>	<u>657,483</u>
Excess of Revenue Over (Under)				
Expenditures	2,564,525	220,174	(1,449,079)	(1,669,253)
Other Financing Sources (Uses):				
Transfers In	--	--	4,889,825	4,889,825
Transfers Out (Enter as negative)	(2,564,525)	(2,564,525)	(2,360,334)	204,191
Sale of Municipal Property	--	--	51,085	51,085
Total Other Financing Sources (Uses)	<u>(2,564,525)</u>	<u>(2,564,525)</u>	<u>2,580,576</u>	<u>5,145,101</u>
Net Change in Fund Balances	--	(2,344,351)	1,131,497	3,475,848
Fund Balance - Beginning of Year	<u>6,441,725</u>	<u>6,441,725</u>	<u>6,441,725</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 6,441,725</u>	<u>\$ 4,097,374</u>	<u>\$ 7,573,222</u>	<u>\$ 3,475,848</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
 Budgetary Comparison Schedule – Additional Sales Tax
 For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General sales and use taxes	\$ 4,081,000	\$ 4,081,000	\$ 4,788,038	\$ 707,038
Miscellaneous Revenue:				
Investment earnings	<u>6,000</u>	<u>6,000</u>	<u>210,401</u>	<u>204,401</u>
Total Revenue	<u>4,087,000</u>	<u>4,087,000</u>	<u>4,998,439</u>	<u>911,439</u>
Other Financing Sources (Uses):				
Transfers Out (Enter as negative)	<u>(4,042,720)</u>	<u>(4,042,720)</u>	<u>(5,688,594)</u>	<u>(1,645,874)</u>
Total Other Financing Sources (Uses)	<u>(4,042,720)</u>	<u>(4,042,720)</u>	<u>(5,688,594)</u>	<u>(1,645,874)</u>
Net Change in Fund Balances	44,280	44,280	(690,155)	(734,435)
Fund Balance - Beginning of Year	<u>3,210,758</u>	<u>3,210,758</u>	<u>3,210,758</u>	<u>--</u>
Fund Balance- End of Year	<u>\$ 3,255,038</u>	<u>\$ 3,255,038</u>	<u>\$ 2,520,603</u>	<u>\$ (734,435)</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Notes to the Required Supplemental Information
December 31, 2023

1. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the schedules:

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% of the total city budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended 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 special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).
8. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting 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 Revenues, 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.

City of Huron
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) (SDRS)
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.3442160%	0.3437370%	0.3624750%	36.9944200%	0.3755122%	0.3563720%	0.3820293%	0.3808731%	0.3769793%
City's proportionate share of net pension liability (asset)	\$ (33,597)	\$ (32,485)	\$ (2,775,938)	\$ (16,067)	\$ (39,794)	\$ (8,311)	\$ (34,670)	\$ 1,286,552	\$ (1,610,328)
City's covered-employee payroll	\$ 8,104,327	\$ 7,523,766	\$ 7,516,508	\$ 7,411,271	\$ 7,281,981	\$ 6,754,830	\$ 7,061,709	\$ 6,581,182	\$ 6,301,692
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.41%	0.43%	36.93%	0.22%	0.55%	0.12%	0.49%	19.55%	25.55%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which info

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Schedule of the City's Contributions (SDRS)
Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 556,886	\$ 507,917	\$ 491,974	\$ 486,640	\$ 487,163	\$ 460,561	\$ 444,772	\$ 443,964	\$ 440,748
Contributions in relation to the contractually required contribution	<u>556,886</u>	<u>507,917</u>	<u>491,974</u>	<u>486,640</u>	<u>487,163</u>	<u>460,561</u>	<u>444,772</u>	<u>443,964</u>	<u>440,748</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 8,464,397	\$ 7,759,552	\$ 7,504,697	\$ 7,386,955	\$ 7,411,918	\$ 7,016,671	\$ 6,743,131	\$ 6,727,853	\$ 6,692,422
Contributions as a percentage of covered-employee payroll	6.58%	6.55%	6.56%	6.59%	6.57%	6.56%	6.60%	6.60%	6.59%

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

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron

Notes to Required Supplementary Information

Schedule of 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 to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes

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

Actuarial Method Changes

No changes in actuarial method 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.

Supplemental Information

City of Huron
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture and Natural Resources			
Pass-Through the SD Department of Agriculture and Natural Resources International Forestry Programs - Mt. Dew Shade Tree Planting	10.684	2023-UCF-009	<u>\$ 830</u>
Department of Transportation			
Airport Improvement Program	20.106	3-46-022-043-2023	198,062
Pass-Through SD Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	23-HLS	<u>36,103</u>
Total Department of Transportation			<u>234,165</u>
General Services Administration			
Pass-Through the SD Federal Property Agency Donation of Federal Surplus Personal Property (see note 3)	39.003		<u>23,467</u>
Department of Homeland Security			
Pass-Through the SD Public Safety-Office of Emergency Management Disaster Grants - Public Assistance	97.036	SD-4656-PW	<u>55,761</u>
Total US Department of Homeland Security			<u>55,761</u>
US Treasury			
Pass-Through the SD Department of Agriculture and Natural Resources Coronavirus Relief State and Local Fiscal Recovery	21.027	2022G-ARP	<u>2,229,572</u>
Grand Total			<u>\$ 2,543,795</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.