

City of Mitchell

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

**For the Year Ended
December 31, 2022**

City of Mitchell

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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 Mitchell, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Mitchell’s basic financial statements and have issued our report thereon dated October 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mitchell’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 Mitchell’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell’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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchell'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.

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

Mitchell, South Dakota
October 4, 2023



Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the City Council
City of Mitchell, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Mitchell'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 Mitchell's major federal programs for the year ended December 31, 2022. City of Mitchell'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 Mitchell 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, 2022.

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 (GAAS); 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 for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Mitchell 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 the City of Mitchell'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 Mitchell'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 Mitchell'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 Mitchell'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 Mitchell'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 Mitchell'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 Mitchell'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 were not 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.

Purpose of this Report

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

Mitchell, South Dakota
October 4, 2023

City of Mitchell
Schedule of Prior and Current Audit Findings and Questioned Costs
For the Year Ended December 31, 2022

Schedule of Prior Audit Findings

The prior audit report contained no written audit findings.

City of Mitchell
 Schedule of Prior and Current Audit Findings and Questioned Costs
 For the Year Ended December 31, 2022

Schedule of Current Audit Findings

Section I - Summary of The Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified _____ yes X 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 X no

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

\$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X no

Section II - Financial Statement Findings

There are no current financial statement audit findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no written current federal compliance findings to report.



Independent Auditor's Report

To the City Council
City of Mitchell, 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, the aggregate discretely presented component unit and aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and aggregate remaining fund information of the City of Mitchell as of December 31, 2022, 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 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 Mitchell 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.

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 Mitchell'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 GAAS, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Mitchell's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mitchell'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 Budgetary Comparison Schedules, the Schedule of Changes in Total OPEB Liability, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of the City's Contributions (SDRS) on pages 60-69, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Schedule of Expenditures of Federal Awards 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 October 4, 2023 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 Mitchell'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.



Mitchell, South Dakota
October 4, 2023

City of Mitchell
Statement of Net Position
December 31, 2022

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
Assets:				
Cash and cash equivalents	\$ 31,436,944	\$ 10,795,147	\$ 42,232,091	\$ 595,436
Investments	371,081	--	371,081	--
Accounts receivable, net	1,719,364	2,128,234	3,847,598	962,904
Internal balances	150,000	(150,000)	--	--
Inventories	567,182	652,315	1,219,497	--
Other assets	--	--	--	3,505
Restricted assets:				
Cash and cash equivalents	981,611	27,940	1,009,551	--
Investments	--	1,436,953	1,436,953	--
Net pension asset	33,357	11,472	44,829	--
Capital assets:				
Land and construction in progress	7,433,463	11,205,490	18,638,953	--
Other capital assets, net of depreciation	69,366,087	59,375,325	128,741,412	--
Total Assets	112,059,089	85,482,876	197,541,965	1,561,845
Deferred Outflows of Resources:				
Pension related deferred outflows	3,050,025	1,048,808	4,098,833	--
Liabilities:				
Accounts payable	700,903	486,205	1,187,108	423
Other current liabilities	--	--	--	--
Noncurrent liabilities:				
Net OPEB Obligation	974,457	314,507	1,288,964	--
Accrued landfill closure and postclosure costs	--	1,132,014	1,132,014	--
Due within one year	1,627,606	1,203,249	2,830,855	--
Due in more than one year	12,656,611	20,508,276	33,164,887	--
Total Liabilities	15,959,577	23,644,251	39,603,828	423
Deferred Inflows of Resources:				
Pension related deferred inflows of resources	1,940,648	667,329	2,607,977	--
Total Deferred Inflows of Resources	1,940,648	667,329	2,607,977	--
Net Position:				
Net Investment in capital assets	66,189,550	49,020,894	115,210,444	--
Restricted for:				
Other-component unit	--	--	--	1,561,422
Debt service purposes	749,122	27,940	777,062	--
Parks and recreation	3,647,209	--	3,647,209	--
Economic development	839,740	--	839,740	--
Public safety	644,663	--	644,663	--
Community projects	981,611	--	981,611	--
Library	85,145	--	85,145	--
Landfill closure and post-closure costs	--	1,436,953	1,436,953	--
SDRS pension purposes	1,142,734	392,951	1,535,685	--
Unrestricted	22,929,115	11,341,366	34,270,481	--
Total Net Position	\$ 97,208,889	\$ 62,220,104	\$ 159,428,993	\$ 1,561,422

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

City of Mitchell
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General government	\$ 2,537,973	\$ 5,058	\$ 3,455,055	\$ 788,332	\$ 1,710,472	\$ --	\$ 1,710,472	\$ --
Public safety	4,806,309	755,399	259,675	--	(3,791,235)	--	(3,791,235)	--
Public works	4,661,774	151,282	761,795	38,856	(3,709,841)	--	(3,709,841)	--
Health and welfare	1,735,951	714,600	234,053	--	(787,298)	--	(787,298)	--
Culture and recreation	4,212,630	1,020,729	600,392	--	(2,591,509)	--	(2,591,509)	--
Conservation and development	661,778	--	--	--	(661,778)	--	(661,778)	--
Interest on long-term debt	588,666	--	--	--	(588,666)	--	(588,666)	--
Total Governmental Activities	<u>19,205,081</u>	<u>2,647,068</u>	<u>5,310,970</u>	<u>827,188</u>	<u>(10,419,855)</u>	<u>--</u>	<u>(10,419,855)</u>	<u>--</u>
Business-type Activities:								
Water	3,095,908	4,147,933	--	--	--	1,052,025	1,052,025	--
Sewer	2,023,855	3,251,136	2,846,472	--	--	4,073,753	4,073,753	--
Airport	667,763	165,124	--	--	--	(502,639)	(502,639)	--
Sanitation	2,348,428	2,613,048	37,124	--	--	301,744	301,744	--
Corn Palace	1,908,741	962,414	5,504	213	--	(940,610)	(940,610)	--
Golf	617,013	544,343	4,700	--	--	(67,970)	(67,970)	--
Campground	112,605	108,821	--	--	--	(3,784)	(3,784)	--
EMS	1,258,423	680,324	--	--	--	(578,099)	(578,099)	--
Total Business-type Activities	<u>12,032,736</u>	<u>12,473,143</u>	<u>2,893,800</u>	<u>213</u>	<u>--</u>	<u>3,334,420</u>	<u>3,334,420</u>	<u>--</u>
Total Primary Government	<u>\$ 31,237,817</u>	<u>\$ 15,120,211</u>	<u>\$ 8,204,770</u>	<u>\$ 827,401</u>	<u>(10,419,855)</u>	<u>3,334,420</u>	<u>(7,085,435)</u>	<u>--</u>
Component Unit:								
Housing and Redevelopment Commission	<u>\$ 444,481</u>	<u>\$ --</u>	<u>\$ 445,763</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,282</u>
General Revenues:								
Taxes:								
Property taxes					6,956,515	--	6,956,515	--
Sales taxes					14,880,301	--	14,880,301	--
State shared revenues					182,072	--	182,072	--
Unrestricted investment earnings					581,681	218,500	800,181	24
Miscellaneous revenues					356,081	1,700	357,781	--
Special Items (Note 19)					--	(951,819)	(951,819)	--
Transfers					(4,916,940)	4,916,940	--	--
Total General Revenues and Transfers					<u>18,039,710</u>	<u>4,185,321</u>	<u>22,225,031</u>	<u>24</u>
Change in Net Position					7,619,855	7,519,741	15,139,596	1,306
Net Position, Beginning of Year					<u>89,589,034</u>	<u>54,700,363</u>	<u>144,289,397</u>	<u>1,560,116</u>
Net Position, End of Year					<u>\$ 97,208,889</u>	<u>\$ 62,220,104</u>	<u>\$ 159,428,993</u>	<u>\$ 1,561,422</u>

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

City of Mitchell
Balance Sheet – Governmental Funds
December 31, 2022

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 18,462,358	\$ 1,877,861	\$ 5,670,195	\$ 26,010,414
Investments	371,081	--	--	371,081
Taxes receivable-delinquent	62,548	--	--	62,548
Accounts Receivable	14,322	9,459	19,851	43,632
Special assessments receivable				
Current	4,201	--	--	4,201
Delinquent	13,681	--	--	13,681
Noncurrent	20,726	--	--	20,726
Due from other funds	175,000	--	--	175,000
Due from other governments	1,501,469	2,786	70,321	1,574,576
Supply inventory	519,193	46,190	1,799	567,182
Restricted cash	981,611	--	--	981,611
Total Assets	<u>\$ 22,126,190</u>	<u>\$ 1,936,296</u>	<u>\$ 5,762,166</u>	<u>\$ 29,824,652</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 156,021	\$ 103,995	\$ 67,550	\$ 327,566
Due to other funds	--	--	25,000	25,000
Total Liabilities	<u>156,021</u>	<u>103,995</u>	<u>92,550</u>	<u>352,566</u>
Deferred inflows of resources:				
Unavailable revenue	1,379,599	--	69,637	1,449,236
Total Deferred Inflows of Resources	<u>1,379,599</u>	<u>--</u>	<u>69,637</u>	<u>1,449,236</u>
Fund Balances:				
Nonspendable	519,193	46,190	1,799	567,182
Restricted	981,611	1,451,344	4,514,535	6,947,490
Committed	--	334,767	--	334,767
Assigned	8,309,124	--	1,083,645	9,392,769
Unassigned	10,780,642	--	--	10,780,642
Total Fund Balances	<u>20,590,570</u>	<u>1,832,301</u>	<u>5,599,979</u>	<u>28,022,850</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 22,126,190</u>	<u>\$ 1,936,296</u>	<u>\$ 5,762,166</u>	<u>\$ 29,824,652</u>

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

City of Mitchell

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

Total Fund Balances Government Funds \$ 28,022,850

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. 33,357

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 76,799,550

Pension and OPEB related deferred outflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds. 3,050,025

Long-term liabilities, including bonds payable, net pension liability, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds. (14,284,217)

Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds. 101,156

Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements. 1,348,080

Pension related deferred inflows and OPEB are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds. (2,915,105)

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. 5,053,193

Net Position Governmental Activities \$ 97,208,889

City of Mitchell

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
General property taxes	\$ 5,982,667	\$ --	\$ 701,983	\$ 6,684,650
General sales and use taxes	13,633,600	--	1,246,701	14,880,301
Gross receipts business taxes	186,242	--	--	186,242
Penalties and interest on taxes	22,531	--	--	22,531
Licenses and permits	218,532	--	--	218,532
Intergovernmental Revenue:				
Federal grants	2,886,431	94,000	760,345	3,740,776
State grants	568,624	18,659	74,100	661,383
State shared revenues:				
Bank franchise tax	73,226	--	--	73,226
Prorate license fees	16,524	--	--	16,524
Liquor tax reversion (25%)	108,846	--	--	108,846
Motor vehicle licenses	127,955	--	--	127,955
Fire insurance premiums reversion	70,187	--	--	70,187
Local government highway and bridge	434,470	--	--	434,470
911 Remittances	--	--	259,675	259,675
Charges for Goods or Services:				
General government	4,458	--	--	4,458
Public safety	130,630	--	372,795	503,425
Highways and streets	8,732	--	--	8,732
Health	--	--	714,600	714,600
Culture and recreation	--	1,000,179	--	1,000,179
Cemetery	142,550	--	--	142,550
Fines and Forfeits:				
Court fines	4,352	--	--	4,352
Animal control fines	10,542	--	--	10,542
Parking meter fines	18,548	--	--	18,548
Library	--	--	20,550	20,550
Miscellaneous Revenue:				
Interest earned	581,681	--	--	581,681
Rentals	600	--	--	600
Special assessments	29,953	--	54,475	84,428
Contributions from private sources	14,681	601,760	171,891	788,332
Other	70,641	1,533	243,159	315,333
Total Revenues	<u>\$ 25,347,203</u>	<u>\$ 1,716,131</u>	<u>\$ 4,620,274</u>	<u>\$ 31,683,608</u>

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

City of Mitchell

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2022 (Continued)

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>				
General Government:				
Legislative	\$ 133,185	\$ --	\$ --	\$ 133,185
Executive	388,608	--	--	388,608
Financial administration	1,183,621	--	--	1,183,621
Other	535,301	--	--	535,301
Public Safety:				
Police	2,068,098	--	--	2,068,098
Fire	1,446,415	--	--	1,446,415
Other protection	--	--	1,181,587	1,181,587
Public Works:				
Highways and streets	3,992,693	--	--	3,992,693
Cemeteries	271,196	--	--	271,196
Health and Welfare:				
Health	30,750	--	1,506,289	1,537,039
Humane society	74,441	--	--	74,441
Culture and Recreation:				
Recreation	37,790	1,321,883	35,064	1,394,737
Parks	--	1,008,769	453,324	1,462,093
Libraries	606,780	--	43,683	650,463
Conservation and Development:				
Urban redevelopment and housing	--	--	389,878	389,878
Economic development and assistance	262,000	--	9,900	271,900
Debt Service	848,508	--	1,517,939	2,366,447
Capital Outlay	3,573,869	1,878,911	--	5,452,780
Total Expenditures	<u>15,453,255</u>	<u>4,209,563</u>	<u>5,137,664</u>	<u>24,800,482</u>
Excess of Revenues Over (Under) Expenditures	<u>9,893,948</u>	<u>(2,493,432)</u>	<u>(517,390)</u>	<u>6,883,126</u>
Other Financing Sources (Uses):				
Transfers-in	--	3,157,327	2,934,649	6,091,976
Sale of city property	34,428	4,800	1,520	40,748
Compensation for loss or damage to capital assets	5,735	27,332	2,999	36,066
Bond Proceeds	--	--	3,815,000	3,815,000
Transfers out	(8,375,645)	--	(4,235,000)	(12,610,645)
Total Other Financing Sources (Uses)	<u>(8,335,482)</u>	<u>3,189,459</u>	<u>2,519,168</u>	<u>(2,626,855)</u>
Net Change in Fund Balances	1,558,466	696,027	2,001,778	4,256,271
Fund Balance, Beginning of Year	<u>19,032,104</u>	<u>1,136,274</u>	<u>3,598,201</u>	<u>23,766,579</u>
Fund Balance, End of Year	<u>\$ 20,590,570</u>	<u>\$ 1,832,301</u>	<u>\$ 5,599,979</u>	<u>\$ 28,022,850</u>

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

City of Mitchell

Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances
To The Statement Of Activities
For The Year Ended December 31, 2022

Net Change in Fund Balances Total Government Funds	\$ 4,256,271
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	5,452,780
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements. This asset was transferred from the Water Fund.	1,601,729
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(2,074,522)
In the statement of activities, losses of \$76,307 of disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$76,814 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(507)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	1,777,781
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.	(3,815,000)
The fund financial statement governmental fund sales and use tax accruals differ from the government wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	63,092
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(45,572)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(16,993)
Changes in the Net OPEB obligation and pension related deferred outflows/inflows are direct components of pension liability (asset)/OPEB liability and are not reflected in the governmental funds.	359,479
Internal services funds are used by management to charge the costs of certain activities,	<u>61,317</u>
Change in Net Position of Governmental Activities	<u>\$ 7,619,855</u>

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

City of Mitchell
Statement of Net Position – Proprietary Funds
December 31, 2022

	Water Fund	Sewer Fund	Airport Fund	Sanitation Fund	Corn Palace Fund	Golf Fund	Campground Fund	EMS Fund	Total	Internal Service Fund
Assets:										
Current Assets:										
Cash and cash equivalents	\$ 2,965,078	\$ 2,799,248	\$ 71,481	\$ 4,010,038	\$ 87,568	\$ 303,057	\$ 66,990	\$ 491,687	\$ 10,795,147	\$ 5,426,530
Accounts receivable	471,039	1,322,750	--	282,381	15,008	--	(68)	--	2,091,110	--
Due from other governments	--	--	--	37,124	--	--	--	--	37,124	--
Supply inventory	517,888	35,408	6,770	20,563	37,896	19,568	--	14,222	652,315	--
Total Current Assets	3,954,005	4,157,406	78,251	4,350,106	140,472	322,625	66,922	505,909	13,575,696	5,426,530
Noncurrent Assets:										
Restricted cash and cash equivalents	--	--	--	27,940	--	--	--	--	27,940	--
Restricted investments	--	--	--	1,436,953	--	--	--	--	1,436,953	--
Net pension asset	1,323	1,579	313	2,274	1,536	345	--	4,102	11,472	--
Capital Assets:										
Land	329,365	163,092	39,743	550,373	50,650	169,843	--	--	1,303,066	--
Buildings	12,935,319	291,263	571,487	2,179,002	8,445,556	314,500	67,500	--	24,804,627	--
Improvements other than buildings	27,644,867	15,487,585	17,237,290	2,680,945	1,539,116	1,171,581	--	--	65,761,384	--
Infrastructure	2,013,438	2,529,084	--	--	--	--	--	--	4,542,522	--
Machinery and equipment	3,859,503	6,655,139	729,039	3,808,518	816,075	450,103	66,187	--	16,384,564	--
Construction in progress	934,392	8,122,915	--	845,117	--	--	--	--	9,902,424	--
Intangible assets	--	2,500	--	--	--	--	--	--	2,500	--
Accumulated depreciation	(18,541,968)	(9,606,770)	(14,356,424)	(4,704,540)	(3,169,185)	(1,691,883)	(49,502)	--	(52,120,272)	--
Total Capital Assets	29,174,916	23,644,808	4,221,135	5,359,415	7,682,212	414,144	84,185	--	70,580,815	--
Total Noncurrent Assets	29,176,239	23,646,387	4,221,448	6,826,582	7,683,748	414,489	84,185	4,102	72,057,180	--
Total Assets	33,130,244	27,803,793	4,299,699	11,176,688	7,824,220	737,114	151,107	510,011	85,632,876	5,426,530
Deferred Outflows of Resources:										
Pension related deferred outflows	120,928	144,348	28,608	207,875	140,431	31,564	--	375,054	1,048,808	--

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

City of Mitchell
Statement of Net Position – Proprietary Funds
December 31, 2022 (Continued)

	Water Fund	Sewer Fund	Airport Fund	Sanitation Fund	Corn Palce Funds	Golf Funds	Campground Fund	EMS Fund	Total	Internal Service Fund
Liabilities:										
Current Liabilities:										
Accounts payable	\$ 101,041	\$ 32,604	\$ 5,357	\$ 305,044	\$ 22,857	\$ 1,763	\$ 768	\$ 16,771	\$ 486,205	\$ 60,337
Due to other funds	--	75,000	--	--	--	75,000	--	--	150,000	--
Incurred but not reported claims payable	--	--	--	--	--	--	--	--	--	313,000
Compensated absences payable current	4,913	10,643	1,094	9,052	5,647	1,187	--	5,365	37,901	--
Bonds payable - current:										
Revenue	353,797	676,240	--	135,311	--	--	--	--	1,165,348	--
Total Current Liabilities	459,751	794,487	6,451	449,407	28,504	77,950	768	22,136	1,839,454	373,337
Noncurrent Liabilities:										
Bonds payable:										
Revenue	2,475,992	17,619,831	--	298,750	--	--	--	--	20,394,573	--
Accrued leave payable	14,738	31,930	3,282	27,155	16,941	3,562	--	16,095	113,703	--
Accrued landfill closure and postclosure costs	--	--	--	1,132,014	--	--	--	--	1,132,014	--
Net OPEB Obligation	47,876	40,510	7,366	73,655	44,193	12,521	--	88,386	314,507	--
Total Noncurrent Liabilities	2,538,606	17,692,271	10,648	1,531,574	61,134	16,083	--	104,481	21,954,797	--
Total Liabilities	2,998,357	18,486,758	17,099	1,980,981	89,638	94,033	768	126,617	23,794,251	373,337
Deferred Inflows of Resources:										
Pension related deferred inflows	76,943	91,845	18,203	132,265	89,352	20,084	--	238,637	667,329	--
Net Position										
Net investment in capital assets	26,345,127	5,348,737	4,221,135	4,925,354	7,682,212	414,144	84,185	--	49,020,894	--
Restricted for										
Revenue bond debt service	--	--	--	27,940	--	--	--	--	27,940	--
Landfill closure and post-closure costs	--	--	--	1,436,953	--	--	--	--	1,436,953	--
SDRS pension purposes	45,308	54,082	10,718	77,884	52,615	11,825	--	140,519	392,951	--
Unrestricted net position	3,785,437	3,966,719	61,152	2,803,186	50,834	228,592	66,154	379,292	11,341,366	5,053,193
Total Net Position	\$ 30,175,872	\$ 9,369,538	\$ 4,293,005	\$ 9,271,317	\$ 7,785,661	\$ 654,561	\$ 150,339	\$ 519,811	\$ 62,220,104	\$ 5,053,193

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

City of Mitchell
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>EMS Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Operating Revenues:										
Charges for goods and services	\$ 4,147,097	\$ 3,251,136	\$ 165,124	\$ 2,613,048	\$ 962,414	\$ 544,343	\$ 108,821	\$ 680,324	\$ 12,472,307	\$ --
Contributions and donations	--	--	--	--	5,504	4,700	--	--	10,204	--
Miscellaneous	836	--	--	--	--	--	--	--	836	2,859,464
Total Operating Revenue	<u>4,147,933</u>	<u>3,251,136</u>	<u>165,124</u>	<u>2,613,048</u>	<u>967,918</u>	<u>549,043</u>	<u>108,821</u>	<u>680,324</u>	<u>12,483,347</u>	<u>2,859,464</u>
Operating Expenses:										
Personal services	513,267	580,786	105,034	807,660	725,777	197,143	26,258	1,087,791	4,043,716	--
Cost of sales	933,685	--	--	--	230,651	--	--	--	1,164,336	--
Other current expense	837,957	836,454	121,391	1,075,161	701,438	350,464	79,137	170,632	4,172,634	2,798,147
Depreciation	728,850	432,332	441,338	448,371	250,875	63,697	7,210	--	2,372,673	--
Total Operating Expenses	<u>3,013,759</u>	<u>1,849,572</u>	<u>667,763</u>	<u>2,331,192</u>	<u>1,908,741</u>	<u>611,304</u>	<u>112,605</u>	<u>1,258,423</u>	<u>11,753,359</u>	<u>2,798,147</u>
Operating Income (Loss)	<u>1,134,174</u>	<u>1,401,564</u>	<u>(502,639)</u>	<u>281,856</u>	<u>(940,823)</u>	<u>(62,261)</u>	<u>(3,784)</u>	<u>(578,099)</u>	<u>729,988</u>	<u>61,317</u>
Nonoperating Revenue (Expense):										
Operating grants	--	2,846,472	--	37,124	--	--	--	--	2,883,596	--
Interest earned	62,591	--	--	155,909	--	--	--	--	218,500	--
Interest expense	(82,149)	(170,383)	--	(17,236)	--	--	--	--	(269,768)	--
Gain/Loss on disposition of assets	(1,601,729)	(3,900)	--	--	1,700	(5,709)	--	--	(1,609,638)	--
Total Nonoperating Revenue (Expense)	<u>(1,621,287)</u>	<u>2,672,189</u>	<u>--</u>	<u>175,797</u>	<u>1,700</u>	<u>(5,709)</u>	<u>--</u>	<u>--</u>	<u>1,222,690</u>	<u>--</u>
Net Income (Loss) before Capital Contributions and Transfers	(487,113)	4,073,753	(502,639)	457,653	(939,123)	(67,970)	(3,784)	(578,099)	1,952,678	61,317
Capital contributions	--	--	--	--	213	--	--	--	213	--
Transfers in	3,815,000	2,835,484	75,000	--	546,723	59,947	--	872,190	8,204,344	--
Transfers (out)	(1,685,675)	--	--	--	--	--	--	--	(1,685,675)	--
Special Items (Note 19)	(951,819)	--	--	--	--	--	--	--	(951,819)	--
Change in Net Position	690,393	6,909,237	(427,639)	457,653	(392,187)	(8,023)	(3,784)	294,091	7,519,741	61,317
Net Position , Beginning of Year	<u>29,485,479</u>	<u>2,460,301</u>	<u>4,720,644</u>	<u>8,813,664</u>	<u>8,177,848</u>	<u>662,584</u>	<u>154,123</u>	<u>225,720</u>	<u>54,700,363</u>	<u>4,991,876</u>
Net Position, End of Year	<u>\$ 30,175,872</u>	<u>\$ 9,369,538</u>	<u>\$ 4,293,005</u>	<u>\$ 9,271,317</u>	<u>\$ 7,785,661</u>	<u>\$ 654,561</u>	<u>\$ 150,339</u>	<u>\$ 519,811</u>	<u>\$ 62,220,104</u>	<u>\$ 5,053,193</u>

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

City of Mitchell
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>EMS Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:										
Receipts from customers	\$ 4,147,425	\$ 2,393,467	\$ 165,124	\$ 2,625,132	\$ 953,184	\$ 549,043	\$ 108,889	\$ 682,233	\$ 11,624,497	\$ 2,859,464
Payments to employees for services	(486,397)	(558,599)	(104,693)	(786,705)	(684,415)	(177,318)	(26,258)	(1,119,340)	(3,943,725)	--
Payments to suppliers	(2,295,564)	(1,457,276)	(124,366)	(816,781)	(958,036)	(352,108)	(79,261)	(162,432)	(6,245,824)	(2,764,242)
Net Cash Provided (Used) by Operating Activities	<u>1,365,464</u>	<u>377,592</u>	<u>(63,935)</u>	<u>1,021,646</u>	<u>(689,267)</u>	<u>19,617</u>	<u>3,370</u>	<u>(599,539)</u>	<u>1,434,948</u>	<u>95,222</u>
Cash Flows from Non-Capital Financing Activities:										
Transfers in from other funds	3,815,000	2,835,484	75,000	--	546,723	59,947	--	872,190	8,204,344	--
Transfers (to) other funds	(1,685,675)	--	--	--	--	--	--	--	(1,685,675)	--
Operating grants received	--	2,846,472	--	37,124	--	--	--	--	2,883,596	--
Net Cash Provided by Non-Capital Financing Activities	<u>2,129,325</u>	<u>5,681,956</u>	<u>75,000</u>	<u>37,124</u>	<u>546,723</u>	<u>59,947</u>	<u>--</u>	<u>872,190</u>	<u>9,402,265</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:										
Proceeds of capital debt	--	4,727,987	--	--	--	--	--	--	4,727,987	--
Capital contributions	--	--	--	--	213	--	--	--	213	--
Proceeds from sale of capital assets	--	--	--	--	1,700	3,035	--	--	4,735	--
Purchase of capital assets	(1,402,183)	(8,036,182)	--	(773,956)	(213)	--	(22,788)	--	(10,235,322)	--
Accrued landfill closure and postclosure costs	--	--	--	53,540	--	--	--	--	53,540	--
Debt principal paid	(4,113,830)	(663,596)	--	(130,928)	--	--	--	--	(4,908,354)	--
Debt interest paid	(82,149)	(170,383)	--	(17,236)	--	--	--	--	(269,768)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,598,162)</u>	<u>(4,142,174)</u>	<u>--</u>	<u>(868,580)</u>	<u>1,700</u>	<u>3,035</u>	<u>(22,788)</u>	<u>--</u>	<u>(10,626,969)</u>	<u>--</u>
Cash Flows from Investing Activities:										
Transfer from restricted cash	--	--	--	(79,383)	--	--	--	--	(79,383)	--
Proceeds from the sale of land/buildings held for resale	1,548,480	--	--	--	--	--	--	--	1,548,480	--
Cash received for interest	62,591	--	--	155,909	--	--	--	--	218,500	--
Net Cash Provided by Investing Activities	<u>1,611,071</u>	<u>--</u>	<u>--</u>	<u>76,526</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,687,597</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(492,302)	1,917,374	11,065	266,716	(140,844)	82,599	(19,418)	272,651	1,897,841	95,222
Cash and Cash Equivalents, Beginning of Year	<u>3,457,380</u>	<u>881,874</u>	<u>60,416</u>	<u>3,743,322</u>	<u>228,412</u>	<u>220,458</u>	<u>86,408</u>	<u>219,036</u>	<u>8,897,306</u>	<u>5,331,308</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,965,078</u>	<u>\$ 2,799,248</u>	<u>\$ 71,481</u>	<u>\$ 4,010,038</u>	<u>\$ 87,568</u>	<u>\$ 303,057</u>	<u>\$ 66,990</u>	<u>\$ 491,687</u>	<u>\$ 10,795,147</u>	<u>\$ 5,426,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:										
Operating Income (Loss)	\$ 1,134,174	\$ 1,401,564	\$ (502,639)	\$ 281,856	\$ (940,823)	\$ (62,261)	\$ (3,784)	\$ (578,099)	\$ 729,988	\$ 61,317
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:										
Depreciation	728,850	432,332	441,338	448,371	250,875	63,697	7,210	--	2,372,673	--
Changes in Assets and Liabilities:										
Receivables	(508)	(857,669)	--	34,976	(14,734)	--	68	1,909	(835,958)	--
Due from other governments	--	--	--	(22,892)	--	--	--	--	(22,892)	--
Inventories	(84,673)	22,667	(3,112)	(11,682)	(14,470)	2,656	--	1,000	(87,614)	--
Net pension asset/liability	28,209	16,921	(981)	19,800	40,182	19,133	--	(23,621)	99,643	--
Accounts and other payables	(439,249)	(643,489)	1,118	270,062	(11,477)	(4,300)	(124)	7,200	(820,259)	33,905
Accrued leave, and OPEB payable	(1,339)	5,266	341	1,155	1,180	692	--	(7,928)	(633)	--
Cash Flows Provided (Used) by Operating Activities	<u>\$ 1,365,464</u>	<u>\$ 377,592</u>	<u>\$ (63,935)</u>	<u>\$ 1,021,646</u>	<u>\$ (689,267)</u>	<u>\$ 19,617</u>	<u>\$ 3,370</u>	<u>\$ (599,539)</u>	<u>\$ 1,434,948</u>	<u>\$ 95,222</u>

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

City of Mitchell
Statement of Net Position – Fiduciary Funds
December 31, 2022

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 993,096
Accounts receivable	24,564
Other assets	<u>57,146</u>
 Total Assets	 <u>1,074,806</u>
 Liabilities:	
Accounts payable	<u>23,397</u>
 Total Liabilities	 <u>23,397</u>
 Net Position - Restricted	 <u><u>\$ 1,051,409</u></u>

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

City of Mitchell
Statement of Changes in Net Position – Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
Additions:	
Funds received into custody	<u>\$ 585,825</u>
Deductions:	
Funds released from custody	<u>555,529</u>
Change in Net Position	30,296
Net Position - Beginning	<u>1,021,113</u>
Net Position - Ending	<u><u>\$ 1,051,409</u></u>

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

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the City of Mitchell (City) 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); 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 Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (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 Mitchell, 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 Governing Board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Mitchell, Tammy Frost, Executive Director, 200 East 15th Mitchell, SD 57301. The June 30, 2023 year end statements are presented in these financial statements.

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 and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

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.

Park Fund – To account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the city and the related costs of these facilities. This is a major fund.

1. Summary of Significant Accounting Policies: (Continued)

The remaining Special Revenue funds are not considered major funds: Lake Fund, Liquor, Lodging and Dining Gross Receipts Tax Fund, BID #3 Fund, Special Assessment Revolving Fund, 911 Emergency Fund, RSVP Fund, Nutrition Fund, and Library Fines Fund. These funds are reported on the fund financial statements as “Other 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.

Tax Increment Financing (TIF) Funds – to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has fourteen (14) of these debt service funds. None of the TIF funds are 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 or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered 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 municipal waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

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

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Sanitation Fund – Financed primarily by user charges, this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund – Financed by user charges and transfers in from the General and Liquor, Lodging and Dining Gross Receipts Tax Funds, this fund accounts for the operation of the Corn Palace. 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.

Campground Fund – Financed by charges for services this fund accounts for operation of the campground. This is a major fund.

EMS Fund – Financed by federal grants, transfers-in from General Fund, and Medicare/Medicaid payments, this fund accounts for operation of the City's EMS. This is a major fund.

Internal Services Funds – Internal services funds are used to account for the financing of goods or services provided by one department or custodial to other departments or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The particular types of services provided to other funds is coverage of employee medical expenses. Internal Service Funds are never considered to be major funds. The Health Insurance Fund is the only internal service fund maintained by the City.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds consist of special assessment projects and payroll-related withholdings.

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.

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, both governmental, business-type and component units 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, business-type, and component unit 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 Mitchell is 30 days. The revenues which are accrued at December 31, 2022 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

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 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 and fiduciary 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:

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

1. 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.
2. In order to minimize the doubling-up effect of internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only by the function to which they relate.

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.

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

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.

Government-Wide Financial 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.

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

The total December 31, 2022 balance of governmental activities capital assets includes approximately 40% for which the costs were determined by estimates of the original costs. The total December 31, 2022 balance of business-type capital assets includes approximately 30% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

Infrastructure Assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980 were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost and classified as "Improvements Other than Buildings".

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation 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 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 Method</u>	<u>Estimated Useful Life</u>
Land	All	-- *	--
Buildings	\$ 50,000	straight-line	20-100 years
Improvements other than buildings	\$ 25,000	straight-line	15-50 years
Machinery and equipment	\$ 5,000	straight-line	4-20 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.

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, other post-employment benefits, and revenue bonds.

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. 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.

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. 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.

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. Fiduciary fund equity is reported as Net Position – Restricted.

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

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 neither considered restricted nor committed. 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 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.

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

Park Fund – Charges for goods and services.

City of Mitchell
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:				
Inventory	\$ 519,193	\$ 46,190	\$ 1,799	\$ 567,182
	<u>519,193</u>	<u>46,190</u>	<u>1,799</u>	<u>567,182</u>
Restricted for:				
Debt service		--	749,122	749,122
Parks and recreation	--	1,451,344	2,195,865	3,647,209
Economic development	--	--	839,740	839,740
Public safety	--	--	644,663	644,663
Community projects	981,611	--	--	981,611
Library	--	--	85,145	85,145
	<u>981,611</u>	<u>1,451,344</u>	<u>4,514,535</u>	<u>6,947,490</u>
Committed to:				
Capital improvements	--	12,123	--	12,123
Lifequest	--	322,644	--	322,644
	<u>--</u>	<u>334,767</u>	<u>--</u>	<u>334,767</u>
Assigned to:				
Applied to Next Year's Budget	2,226,436	--	116,047	2,342,483
Fire and EMS equipment	101,801	--	--	101,801
Capital improvements	4,429,837	--	287,484	4,717,321
Nutrition	--	--	380,754	380,754
Community projects	1,551,050	--	299,360	1,850,410
	<u>8,309,124</u>	<u>--</u>	<u>1,083,645</u>	<u>9,392,769</u>
Unassigned:				
	<u>10,780,642</u>	<u>--</u>	<u>--</u>	<u>10,780,642</u>
	<u>10,780,642</u>	<u>--</u>	<u>--</u>	<u>10,780,642</u>
Total Fund Balance	<u>\$ 20,590,570</u>	<u>\$ 1,832,301</u>	<u>\$ 5,599,979</u>	<u>\$ 28,022,850</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

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

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.

Fair Value Measurement:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Mitchell
Notes to Financial Statements
December 31, 2022

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

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.

As of December 31, 2022, the City had the following investments:

<u>Investment - Primary Government</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Level</u>	<u>Fair Value</u>
External Investment Pools:				
SDFIT	Not Rated	N/A	2	\$ 371,081
Money market mutual funds	Not Rated	N/A	2	406,953
Bonds	Not Rated	N/A	2	1,030,000
Total Investments Primary Government				<u>\$ 1,808,034</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Other items classified as investments are certificates of deposit having a maturity of over 90 days from the date of acquisition.

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.

City of Mitchell
Notes to Financial Statements
December 31, 2022

3. Restricted Cash and Investments:

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

<u>Amount</u>	<u>Purpose</u>
\$ 1,009,551	For debt service, by debt covenants
\$ 1,436,953	For landfill closure and post-closure care costs

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.

5. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2022 was as follows:

Restricted for:	
Other-component unit	\$ 1,561,422
Debt service purposes	777,062
Parks and recreation	3,647,209
Economic development	839,740
Public safety	644,663
Community Projects	981,611
Library	85,145
Landfill closure and post-closure costs	1,436,953
SDRS pension purposes	1,535,685
Total Restricted Net Position	<u><u>\$ 11,509,490</u></u>

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

City of Mitchell
Notes to Financial Statements
December 31, 2022

6. Inventory: (Continued)

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. Deferred Inflows of Resources:

Deferred inflows of resources represent unavailable revenue as follows:

	General Fund	Other Governmental Funds
Sales tax	\$ 1,278,443	\$ 69,637
Property tax	62,548	--
Special assessments	38,608	--
	\$ 1,379,599	\$ 69,637

8. 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 Mitchell
Notes to Financial Statements
December 31, 2022

9. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	<u>Balance 1/01/22</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/22</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 4,839,147	\$ --	\$ 1,601,729	\$ --	\$ 6,440,876
Construction in progress	2,712,177	--	960,134	(2,679,724)	992,587
Total, not being depreciated	<u>7,551,324</u>	<u>--</u>	<u>2,561,863</u>	<u>(2,679,724)</u>	<u>7,433,463</u>
Capital assets, being depreciated:					
Buildings	29,950,283	--	--	--	29,950,283
Improvements	40,521,841	--	516,879	--	41,038,720
Infrastructure	6,849,861	--	5,722,413	--	12,572,274
Machinery and equipment	15,995,169	(28,588)	933,078	(225,357)	16,674,302
Total, being depreciated	<u>93,317,154</u>	<u>(28,588)</u>	<u>7,172,370</u>	<u>(225,357)</u>	<u>100,235,579</u>
Less accumulated depreciation for:					
Buildings	7,117,415	--	587,547	--	7,704,962
Improvements	9,406,325	--	711,404	--	10,117,729
Infrastructure	82	--	105,383	--	105,465
Machinery and equipment	12,524,586	(28,588)	670,188	(224,850)	12,941,336
Total accumulated depreciation	<u>29,048,408</u>	<u>(28,588)</u>	<u>2,074,522</u>	<u>(224,850)</u>	<u>30,869,492</u>
Governmental Activity Capital Assets, Net	<u>\$ 71,820,070</u>	<u>\$ --</u>	<u>\$ 7,659,711</u>	<u>\$ (2,680,231)</u>	<u>\$ 76,799,550</u>

Depreciation expense was charged to functions as follows:

General government	\$ 477,141
Public safety	269,688
Public works	497,885
Health and welfare	124,471
Culture and recreation	705,337
Total Depreciation Expense	<u>2,074,522</u>
Governmental Activities	<u>\$ 2,074,522</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

9. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2022 is as follows: (Continued)

	<u>Balance 1/01/22</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,904,795	\$ --	\$ --	\$ (1,601,729)	\$ 1,303,066
Construction in progress	2,251,391	--	9,878,357	(2,227,324)	9,902,424
Total, not being depreciated	<u>5,156,186</u>	<u>--</u>	<u>9,878,357</u>	<u>(3,829,053)</u>	<u>11,205,490</u>
Capital assets, being depreciated:					
Buildings	24,804,627	--	--	--	24,804,627
Improvements	65,761,384	--	--	--	65,761,384
Infrastructure	1,987,736	--	2,561,286	(6,500)	4,542,522
Intangible assets	2,500	--	--	--	2,500
Machinery and equipment	16,503,588	28,588	22,788	(170,400)	16,384,564
Total, being depreciated	<u>109,059,835</u>	<u>28,588</u>	<u>2,584,074</u>	<u>(176,900)</u>	<u>111,495,597</u>
Less accumulated depreciation for:					
Buildings	9,751,123	--	478,709	--	10,229,832
Improvements	28,947,906	--	1,255,643	--	30,203,549
Infrastructure	3,443	--	30,581	(2,600)	31,424
Intangible assets	2,500	--	--	--	2,500
Machinery and equipment	11,178,511	28,588	607,738	(161,870)	11,652,967
Total accumulated depreciation	<u>49,883,483</u>	<u>28,588</u>	<u>2,372,671</u>	<u>(164,470)</u>	<u>52,120,272</u>
Business-Type Activities					
Capital Assets, Net	<u>\$ 64,332,538</u>	<u>\$ --</u>	<u>\$ 10,089,760</u>	<u>\$ (3,841,483)</u>	<u>\$ 70,580,815</u>

Depreciation expense was charged to functions as follows:

Water	\$ 728,850
Sewer	432,332
Airport	441,338
Sanitation	448,371
Corn Palace	250,875
Golf	63,697
Campground	<u>7,210</u>
Total Depreciation Expense	
Business-Type Activities	<u>\$ 2,372,673</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

9. Changes in Capital Assets: (Continued)

Construction work in progress at December 31, 2022 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2022</u>	<u>Committed</u>	<u>Required Future</u>
Spruce Street Railroad Crossing - 101	\$ 960,000	\$ 70,521	\$ 12,994	\$ 876,485
Ground Storage Tank - 602	16,000,000	663,599	793,392	14,543,009
Dailey Drive Lift Station - 604	1,663,000	1,394,120	--	268,880
Cell #4 - 612	1,273,000	845,117	72,892	354,991
200-400 East 10th - 101	442,000	74,628	--	367,372
Fuel System Storage Tanks - 101	500,000	19,000	3,000	478,000
Fitness Room - 201	731,309	179,981	--	551,328
Lake - 203	2,295,000	616,003	--	1,678,997
West Water Tower Painting - 602	1,175,000	30,718	558,865	585,417
Norway/Rowley Water Main - 602	128,000	29,081	451,818	(352,899)
200-400 East 10th - 602	262,000	210,996	--	51,004
WWTP Improvements - 604	18,700,000	6,562,279	3,082,467	9,055,254
200-400 East 10th - 604	251,000	111,672	--	139,328
23rd & Ohlman Lift Station - 604	1,018,000	30,776	--	987,224
Norway/Rowley Bikepath/Sidewalk - 101	883,117	8,386	--	874,731
Livesay Lane Improvements - 101	723,000	24,067	--	698,933
Livesay Lane Improvements - 604	473,000	24,067	302,722	146,211
	<u>\$ 47,477,426</u>	<u>\$ 10,895,011</u>	<u>\$ 5,278,150</u>	<u>\$ 31,304,265</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

10. 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	\$ 11,692,499	\$ 3,815,000	\$ (1,777,781)	\$ 13,729,718	\$ 1,488,981
Total Debt	11,692,499	3,815,000	(1,777,781)	13,729,718	1,488,981
Accrued Compensated Absences	537,506	156,552	(139,559)	554,499	138,625
Total Governmental Activities	<u>\$ 12,230,005</u>	<u>\$ 3,971,552</u>	<u>\$ (1,917,340)</u>	<u>\$ 14,284,217</u>	<u>\$ 1,627,606</u>
Business-type Activities:					
Bonds Payable:					
Revenue	\$ 21,740,288	\$ 4,727,987	\$ (4,908,354)	\$ 21,559,921	\$ 1,165,348
Total Debt	21,740,288	4,727,987	(4,908,354)	21,559,921	1,165,348
Accrued Compensated Absences	141,102	10,500	--	151,602	37,901
Total Business Type Activities	<u>\$ 21,881,390</u>	<u>\$ 4,738,487</u>	<u>\$ (4,908,354)</u>	<u>\$ 21,711,523</u>	<u>\$ 1,203,249</u>

Debt payable at December 31, 2022 is comprised of the following:

Revenue Bonds:

Series 2019 Sales Tax Revenue Refunding Bonds	2.15%-3% depending on length to maturity of individual bonds; bond matures and final principal payment due December 1, 2032. This debt is serviced by the General Fund.	\$ 6,965,000
Indoor swimming pool	"COP" 2.95% debt payable biannually with payments of \$130,973; bond matures and final payment due December 2028. This debt is serviced by the General Fund.	1,209,374
Series 2016 TIF No. 8 Bonds	2.50%; bond matures and final principal payment due June 1, 2026. This debt is serviced by the applicable TIF debt service fund.	435,724

City of Mitchell
Notes to Financial Statements
December 31, 2022

10. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2022 is comprised of the following: (Continued)

Series 2010 TIF No. 14	5.5%; Terms are for semi-annual payments of \$23,572, matures December 1, 2029. This debt is serviced by the applicable TIF debt service fund.	252,495
Series 2006 TIF No. 7 Bonds	6.75%; Terms are for semi-annual payments of \$94,716, matures December 1, 2031. This debt is serviced by the applicable TIF debt service fund.	156,844
Note Payable TIF No. 16, Subordinated to Series 2006 TIF No. 7	After the TIF No. 7 bonds are paid in full, the tax incremental funds will be applied until paid in full or until the expiration at the end of calendar year 2031.	261,829
Series 2017 TIF No. 9 Bonds	3.5%; Terms are for annual payments of \$57,266, matures December 1, 2027. This debt is serviced by the applicable TIF debt service fund.	198,786
Series 2012 TIF No. 19 Bonds	6.00%; Terms are semi-annual payments of \$9,500, matures July 1, 2036. This debt is serviced by the applicable TIF debt service fund.	124,923
Series 2012 TIF No. 20 Bonds	5.00%; Terms are interest only semi-annual until maturity, matures November 1, 2033. Amounts above interest will be applied to principal. This debt is serviced by the applicable TIF debt service fund.	121,643
Series 2018 TIF No. 21 Bonds	4.75%; Terms are annual payments of \$10,250, matures June 30, 2035. This debt is serviced by the applicable TIF debt service fund.	258,100
2019 Sales Tax Revenue Bonds (Near Lake Property)	Interest varies 1.8% to 4%; payable in variable annual installments of approximately \$290,000; matures December 1, 2038. This debt is being repaid by the Water Fund.	<u>3,645,000</u>
	Subtotal Governmental Revenue Bonds	<u>13,729,718</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

10. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2022 is comprised of the following: (Continued)

2009 State Revolving Fund Loan	2%; Payable in quarterly installments of \$23,316; matures July 15, 2029. This debt is being repaid by the Sewer Fund.	707,666
2002 State Revolving Fund Loan	4.0%; payable in quarterly installments of \$50,909; matures April 1, 2024. This debt is being repaid by the Water Fund.	300,986
2005 Regional Landfill Fund Loan	3.0%; payable in semi-annual installment of \$14,317; matures December 1, 2026. This debt is being repaid by the Sanitation Fund.	107,180
2004 Regional Landfill Fund Loan	3.0%; payable in semi-annual payments of \$13,622; matures June 1, 2025. This debt is being repaid by the Sanitation Fund.	65,149
2010 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$27,734; matures January 1, 2032. this debt is being repaid by the Water Fund.	893,167
2010 "Borrower Bond"	2.0%; payable in quarterly installments of \$2,296; matures July 15, 2031. This debt is being repaid by the Sewer Fund.	73,560
2004 State Revolving Fund Loan	3.50%; payable in quarterly installments of \$23,071; matures October 1, 2025. This debt is being repaid by the Sanitation Fund.	261,732
2013 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$9,058; matures August 15, 2034. This debt is being repaid by the Sewer Fund.	357,677
2019 Series Drinking Water Bond (Sanborn Ph II & III)	1.25%; payable in quarterly installments of \$15,593; matures August 15, 2041. This debt is being repaid by the Water Fund.	951,940

City of Mitchell
Notes to Financial Statements
December 31, 2022

10. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2022 is comprised of the following: (Continued)

2019 Series Drinking Water Bond (E Central Drain)	2.25%; payable in quarterly installments of \$10,734; matures August 15, 2041. This debt is being repaid by the Water Fund.	641,210
2019 Series Clean Water Bond (Sanborn II & III)	1.25%; payable in quarterly installments of \$114,624; matures August 15, 2041. This debt is being repaid by the Sewer Fund.	7,849,207
2019 Series Clean Water Bond (E Central Drain)	1.25%; payable in quarterly installments of \$50,575; matures August 15, 2041. This debt is being repaid by the Sewer Fund.	3,334,250
2021 Series Clean Water Bond (E Central Drain II)	1.25%; payable in quarterly installments of \$10,006; matures May 15, 2053. This debt is being repaid by the Sewer Fund.	844,480
2021 Series Clean Water Bond (Daily Dr Lift Station)	1.375%; payable in quarterly installments of \$21,478; matures August 15, 2043. This debt is being repaid by the Sewer Fund.	1,366,041
2022 Series Drinking Water Bond (West Water Tower)	1.88%; payable in quarterly installments of \$12,824.74; matures on May 15, 2054. This debt is being repaid by the Water Fund	42,486
2022 Clean Water Bond (Wastewater Treatment Facility Improvements)	1.375%; payable in quarterly installments of \$162,359; matures October 15, 2054. This debt is being repaid by the Sewer Fund.	<u>3,763,190</u>
	Subtotal Business-type Revenue Bonds	<u>21,559,921</u>

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2022. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund. The compensated absences in the Business-Type Activities are currently paid from the Water Fund, Sewer Fund, Airport Fund, Sanitation Fund, Corn Palace Fund, Golf Course Fund, and EMS Fund.

706,101

Grand Total

\$ 35,995,740

City of Mitchell
Notes to Financial Statements
December 31, 2022

10. Long-Term Liabilities: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022 except for compensated absences are as follows:

Years Ending December 31,	Bonds	
	Principal	Interest
2023	\$ 2,654,329	\$ 740,229
2024	2,691,271	667,426
2025	2,929,821	772,985
2026	2,674,263	909,448
2027-2031	12,419,509	2,266,978
2032-2036	6,833,646	1,461,746
2037-2041	4,769,735	309,467
2042-2046	208,132	24,559
2047-2049	108,933	11,140
Totals	\$ 35,289,639	\$ 7,163,978

11. Individual Fund Interfund Receivable and Payable Balances:

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

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 175,000	\$ --
Highland Fund TIF	--	25,000
Enterprise Funds:		
Sewer Fund	--	75,000
Golf Fund	--	75,000
	\$ 175,000	\$ 175,000

The purpose of the interfund receivable and payable balances is loans made to temporarily fund operations of the funds receiving the loans.

City of Mitchell
Notes to Financial Statements
December 31, 2022

12. Interfund Transfers:

Interfund transfers for the year ended December 31, 2022 were as follows:

	In	Out
General Fund	\$ --	\$ 8,375,645
Special Revenue Funds:		
Park	3,157,327	--
Entertainment tax	--	4,235,000
Other governmental	2,934,649	--
Enterprise Funds:		
Water	3,815,000	1,685,675
Sewer	2,835,484	--
Airport	75,000	--
Corn Palace	546,723	--
Golf	59,947	--
EMS Fund	872,190	--
Total	\$ 14,296,320	\$ 14,296,320

Transfers are used to move revenues from the fund with collection authorization to the fund with expenditure authorization and move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City typically budgets transfers to the General Fund, Park Fund, E-911 Fund and Corn Palace Fund to conduct the indispensable functions of the City. The Enterprise funds transferred out a large amount for their portion of the construction projects.

13. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), 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.

13. 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 Mitchell
Notes to Financial Statements
December 31, 2022

13. Pension Plan: (Continued)

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2022, 2021, and 2020, equal to the required contributions each year, were as follows:

2022	\$	694,587
2021	\$	671,792
2020	\$	686,997

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

At June 30, 2022, SDRS is 100.10% 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 this measurement period ending June 30, 2022 and reported by the City as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 66,961,618
Less proportionate share of net pension restricted for pension benefits	<u>67,006,447</u>
Proportionate share of net pension (asset)	<u><u>\$ (44,829)</u></u>

At December 31, 2022, the City reported an asset of \$(44,829) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 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, 2022, the City's proportion was 0.47434600%, which is a decrease of -0.0099020% from its proportion measured as of June 30, 2021.

City of Mitchell
Notes to Financial Statements
December 31, 2022

13. Pension Plan: (Continued)

For the year ended December 31, 2022, the City recognized a reduction of pension expense of (\$232,966). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 853,348	\$ 2,910
Changes in assumption	2,849,173	2,496,919
Net Difference between projected and actual earnings on pension plan investments	--	107,431
Changes in proportion and difference between City contributions and proportionate share of contributions	16,305	717
City contributions subsequent to the measurement date	380,007	--
	<u>\$ 4,098,833</u>	<u>\$ 2,607,977</u>

\$380,007 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:

<u>Year Ended December 31:</u>	
2023	\$ 300,154
2024	626,836
2025	(705,661)
2026	889,520
2027	--
	<u>\$ 1,110,849</u>

City of Mitchell
Notes to Financial Statements
December 31, 2022

13. Pension Plan: (Continued)

Actuarial Assumptions:

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

Inflation	2.50%
Salary increases	Graded by years of services, from 7.66% at entry to 3.15% after 25 years of service.
Discount rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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.

City of Mitchell
Notes to Financial Statements
December 31, 2022

13. Pension Plan: (Continued)

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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension (asset)	\$ 9,308,262	\$ (44,829)	\$ (7,688,775)

Pension Plan Fiduciary Net Position:

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

City of Mitchell
Notes to Financial Statements
December 31, 2022

14. Other Postemployment Benefits – Healthcare Plan:

Plan Administration:

The City administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The City does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided:

Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the City. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership:

As of January 1, 2022, plan membership consisted of the following:

Inactive members currently receiving benefits	5
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>100</u>
Total	<u><u>105</u></u>

Investment Policy:

The City obligation is unfunded at January 1, 2022. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

City of Mitchell
Notes to Financial Statements
December 31, 2022

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

The following table shows the financial components of the plan:

	Fiscal Year Ending December 31, 2022
Total OPEB Liability Beginning of Year	\$ 1,326,969
Change for the Year:	
Service Cost	38,614
Interest	27,843
Difference between Expected and Actual Experience	--
Change of Assumptions	--
Benefit Payments	(104,462)
Net Change in Total OPEB Liability	<u>(38,005)</u>
Total OPEB Liability - End of Year	<u>\$ 1,288,964</u>
Covered-Employee Payroll	\$ 6,804,964
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	18.94%

Funded Status:

The Plan is on a “pay-as-you-go” basis, therefore it is not funded as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

Total OPEB Liability:

The City’s total OPEB liability of \$1,288,964 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022

City of Mitchell
Notes to Financial Statements
December 31, 2022

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

Actuarial Assumptions:

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% Per Year
Discount Rate	2.12% Per Year
Health Care Cost Trend Rate	All Years, 5%
Mortality	RP 2014 annuitant distinct mortality tables - Adjusted to 2006 with MP 2020 generational projection of future mortality improvement

Discount Rate:

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total liability was 2.12% as of January 1, 2022.

Mortality Rates:

The mortality rates used to measure the total OPEB liability were based on RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2020 generational projection of future mortality improvement.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study using the current healthcare cost trend.

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rate:

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

	<u>1% Decrease</u>	<u>4%</u>	<u>Current Healthcare</u>	<u>Cost Trend Rate</u>	<u>5%</u>	<u>1% Increase</u>	<u>6%</u>
Total OPEB liability	\$	1,175,606	\$	1,288,964	\$	1,420,275	

City of Mitchell
Notes to Financial Statements
December 31, 2022

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

Sensitivity of the Total OPEB Liability to changes in the Discount Rate*:

The following presents the total OPEB liability, calculated using the current discount rate of 2.12%, as well as the total OPEB liability calculated using a discount trend rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate:

	1% Decrease 1.12%	Current Discount Rate 2.12%	1% Increase 3.12%
Total OPEB liability	\$ 1,392,816	\$ 1,288,964	\$ 1,195,830

OPEB Expense and Deferred Outflows of Resources Related to OPEB:

For the year ended December 31, 2022, the City recognized OPEB expense of \$185,181. At December 31, 2022, the City reported inflows of resources related to OPEB from the following resources:

	Ending December 31, 2022
Service Cost	\$ 38,614
Interest on Total OPEB Liability	27,843
Effect of Plan Changes	--
Administrative Expenses	--
Recognition of Deferred (Inflows)/Outflows of Resources	--
Economic/Demographic (Gains)/Losses	98,175
Assumption Changes	20,549
OPEB Expense	\$ 185,181

	Amount Recognized in Expense 12/31/22	Balance of Deferred Inflows 12/31/22	Balance of Deferred Outflows 12/31/22
Economic/Demographic (Gains)/Losses	\$ 98,175	\$ --	\$ 535,617
Assumption Changes (Gains)/Losses	20,549	(14,329)	147,998
Investment (Gains)/Losses	\$ --	\$ --	--

City of Mitchell
Notes to Financial Statements
December 31, 2022

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year Ended December 31,		
2023	\$	118,724
2024		118,724
2025		118,724
2026		118,724
2027		116,412
Thereafter		<u>77,978</u>
Total	\$	<u><u>669,286</u></u>

15. 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, 2022 the City managed its risks as follows:

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the Plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2022 were as follows:

Benefit claims payable, at the beginning of year	\$	339,432
Employees' health and related benefits incurred attributable to insured events of the current year		2,419,751
Employee health and related benefits paid		<u>(2,385,846)</u>
Benefit claims payable, at the end of year	\$	<u><u>373,337</u></u>

15. Risk Management: (Continued)

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.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under occurrence-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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

15. Risk Management: (Continued)

The City reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and in the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

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.

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.

16. Landfill Closure and Post – Closure Care Cost:

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,132,014 reported as landfill closure and post-closure care liability at December 31, 2022 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2005 and 32% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,983,869 as the remaining estimated capacity is filled. This landfill has an estimated remaining life of 84 years as of December 31, 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$1,436,953 to this trust as of December 31, 2021.

17. Tax Increment Financing Districts:

The City of Mitchell has created tax increment districts under the authority granted by South Dakota Codified Laws Section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advance of industrial, commercial, manufacturing, and agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

City of Mitchell
Notes to Financial Statements
December 31, 2022

17. Tax Increment Financing Districts: (Continued)

The taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years. The project sponsor bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall.

The City of Mitchell has 12 active tax increment districts in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the districts, these taxes are not available to the City during the life of the tax increment district. The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2022, that was not available to the City of Mitchell was \$1,304,258.

18. Significant Contingencies – Litigation:

At December 31, 2022, 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.

19. Special Item and Transfers:

The City sold the land, and buildings held for resale in the Water Fund for a loss of (951,819). By resolution, the City created Fund 203 – Lake Fund. The Water Fund transferred land assets to the Lake Fund in the amount of 1,601,729. This amount nets in the transfers line on the Statement of Activities.

Required Supplemental Information

City of Mitchell
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes:				
General property taxes	\$ 5,754,934	\$ 5,754,934	\$ 5,982,667	\$ 227,733
General sales and use taxes	11,511,538	11,511,538	13,633,600	2,122,062
Gross receipts business taxes	193,000	193,000	186,242	(6,758)
Amusement taxes	1,400	1,400	--	(1,400)
Penalties and interest on taxes	9,000	9,000	22,531	13,531
Licenses and permits	194,000	194,000	218,532	24,532
Intergovernmental Revenue:				
Federal grants	1,497,800	1,497,800	2,886,431	1,388,631
State grants	1,033,000	1,033,000	568,624	(464,376)
State shared revenues:				
Bank franchise tax	43,000	43,000	73,226	30,226
Prorate license fees	14,500	14,500	16,524	2,024
Liquor tax reversion (25%)	98,000	98,000	108,846	10,846
Motor vehicle licenses	123,000	123,000	127,955	4,955
Fire insurance premiums reversion	57,000	57,000	70,187	13,187
Local government highway and bridge fund	420,000	420,000	434,470	14,470
Charges for Goods or Services:				
General government	3,400	3,400	4,458	1,058
Public safety	122,300	122,300	130,630	8,330
Highways and streets	15,000	15,000	8,732	(6,268)
Cemetery	126,700	126,700	142,550	15,850
Fines and Forfeits:				
Court fines	2,800	2,800	4,352	1,552
Animal control fines	8,000	8,000	10,542	2,542
Parking meter fines	20,000	20,000	18,548	(1,452)
Miscellaneous Revenue:				
Interest earned	132,000	132,000	581,681	449,681
Rentals	--	--	600	600
Special assessments	13,900	13,900	29,953	16,053
Contributions from private sources	--	--	14,681	14,681
Other	59,010	59,010	70,641	11,631
Total Revenues	<u>\$ 21,453,282</u>	<u>\$ 21,453,282</u>	<u>\$ 25,347,203</u>	<u>\$ 3,893,921</u>

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

City of Mitchell
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2022 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	Expenditures			
General Government:				
Legislative	\$ 137,759	\$ 146,571	\$ 133,185	\$ 13,386
Contingency	844,764	14,111	--	14,111
Executive	266,160	413,460	388,608	24,852
Financial administration	1,323,753	1,339,263	1,183,621	155,642
Other	636,491	675,951	587,534	88,417
Public Safety:				
Police	3,682,487	3,804,913	3,468,319	336,594
Fire	1,472,477	1,511,248	1,446,415	64,833
Public Works:				
Highways and streets	9,539,127	11,173,689	5,985,544	5,188,145
Cemeteries	292,289	327,966	271,196	56,770
Health and Welfare:				
Health	39,750	39,750	30,750	9,000
Humane society	82,825	85,725	74,441	11,284
Culture and Recreation:				
Recreation	118,540	38,540	37,790	750
Libraries	762,621	800,025	735,344	64,681
Conservation and Development:				
Economic development and assistance	232,000	262,000	262,000	--
Debt Service	848,500	848,550	848,508	42
Total Expenditures	<u>20,279,543</u>	<u>21,481,762</u>	<u>15,453,255</u>	<u>6,028,507</u>
Excess of Revenues Over (Under)				
Expenditures	<u>1,173,739</u>	<u>(28,480)</u>	<u>9,893,948</u>	<u>9,922,428</u>
Other Financing Sources (Uses):				
Sale of city property	--	--	34,428	34,428
Compensation for loss or damage to capital assets	--	--	5,735	5,735
Long-term debt issued	883,000	883,000	--	(883,000)
Transfers-out	<u>(4,919,161)</u>	<u>(8,575,645)</u>	<u>(8,375,645)</u>	<u>200,000</u>
	<u>(4,036,161)</u>	<u>(7,692,645)</u>	<u>(8,335,482)</u>	<u>(642,837)</u>
Net Change in Fund Balances	(2,862,422)	(7,721,125)	1,558,466	9,279,591
Fund Balance, Beginning of Year	<u>19,032,104</u>	<u>19,032,104</u>	<u>19,032,104</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 16,169,682</u>	<u>\$ 11,310,979</u>	<u>\$ 20,590,570</u>	<u>\$ 9,279,591</u>

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

City of Mitchell
 Budgetary Comparison Schedule – Park Fund
 For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenue:				
Federal grants	\$ --	\$ --	\$ 94,000	\$ 94,000
State grants	--	--	18,659	18,659
Charges for Goods or Services:				
Culture and recreation	1,012,400	1,012,400	1,000,179	(12,221)
Miscellaneous Revenue:				
Contributions from private sources	186,600	186,600	601,760	415,160
Other	1,532	1,532	1,533	1
Total Revenues	<u>1,200,532</u>	<u>1,200,532</u>	<u>1,716,131</u>	<u>515,599</u>
Expenditures				
Culture and Recreation:				
Recreation	2,625,526	3,643,716	2,877,653	766,063
Parks	1,515,333	1,541,593	1,331,910	209,683
Total Expenditures	<u>4,140,859</u>	<u>5,185,309</u>	<u>4,209,563</u>	<u>975,746</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(2,940,327)</u>	<u>(3,984,777)</u>	<u>(2,493,432)</u>	<u>1,491,345</u>
Other Financing Sources (Uses):				
Transfers-in	2,760,327	2,760,327	3,157,327	397,000
Sale of city property	--	--	4,800	4,800
Compensation for loss or damage to capital assets	--	--	27,332	27,332
	<u>2,760,327</u>	<u>2,760,327</u>	<u>3,189,459</u>	<u>429,132</u>
Net Change in Fund Balances	(180,000)	(1,224,450)	696,027	1,920,477
Fund Balance, Beginning of Year	<u>1,136,274</u>	<u>1,136,274</u>	<u>1,136,274</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 956,274</u>	<u>\$ (88,176)</u>	<u>\$ 1,832,301</u>	<u>\$ 1,920,477</u>

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

City of Mitchell
Notes to the Required Supplemental Information
December 31, 2022

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 accrual 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 Mitchell
Schedule of Changes in Total OPEB Liability
December 31, 2022

	Fiscal Year Ending December 31, 2022
Total OPEB Liability Beginning of Year	\$ 1,326,969
Change for the Year:	
Service Cost	38,614
Interest	27,843
Difference between Expected and Actual Experience	--
Change of Assumptions	--
Benefit Payments	(104,462)
Net Change in Total OPEB Liability	<u>(38,005)</u>
Total OPEB Liability - End of Year	<u>\$ 1,288,964</u>
Covered-Employee Payroll	\$ 6,804,964
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	18.94%

* Due to the unavailability of historical data, we were not able to present ten years of data. Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2022	2.12%
Year ended December 31, 2021	2.12%
Year ended December 31, 2020	4.10%
Year ended December 31, 2019	4.10%
Year ended December 31, 2018	3.44%

City of Mitchell
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) (SDRS)
December 31, 2022

	<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)	0.47434600%	0.4842480%	0.5075116%	0.5078775%	0.5109759%	0.4948779%	0.4934279%	0.50751950%
City's proportionate share of net pension liability (asset)	\$ (44,829)	\$ (3,708,511)	\$ (22,041)	\$ (53,821)	\$ (11,917)	\$ (44,910)	\$ 1,666,751	\$ (2,152,535)
City's covered-employee payroll	\$ 10,215,885	\$ 9,928,626	\$ 10,084,654	\$ 9,786,376	\$ 9,587,383	\$ 9,074,462	\$ 8,432,118	\$ 8,349,579
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.44%	37.35%	0.22%	0.55%	0.12%	0.49%	19.77%	25.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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 information is available.

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

City of Mitchell
Schedule of the City's Contributions (SDRS)
Year Ended December 31, 2022

	<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	\$ 694,587	\$ 671,792	\$ 686,997	\$ 661,363	\$ 640,177	\$ 627,894	\$ 572,793	\$ 561,032
Contributions in relation to the contractually required contribution	<u>694,587</u>	<u>671,792</u>	<u>686,997</u>	<u>661,363</u>	<u>640,177</u>	<u>627,894</u>	<u>572,793</u>	<u>561,032</u>
Contribution deficiency (excess)	<u>\$ --</u>							
City's covered-employee payroll	\$ 10,448,147	\$ 10,097,176	\$ 10,358,234	\$ 9,990,216	\$ 9,638,565	\$ 9,444,255	\$ 8,607,689	\$ 8,446,184
Contributions as a percentage of covered-employee payroll	6.65%	6.65%	6.63%	6.62%	6.64%	6.65%	6.65%	6.64%

*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 Mitchell

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, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

City of Mitchell

Notes to Required Supplementary Information

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

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Supplementary Information

City of Mitchell
Supplemental Information
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Pass-Through Entity Identifying Number	Federal Expenditures
Department of Interior			
Pass-Through the SD Department of Game, Fish & Parks			
Outdoor Recreation Acquisition, Development and Planning	15.916		\$ 94,000
Department of Justice			
Direct Federal Funding			
"Covid 19" Coronavirus Emergency Supplemental Funding	16.034		25,865
Department of Transportation			
Pass-Through the SD Department of Transportation			
Federal Transit Formula Grants	20.507		30,950
Formula Grants for Rural Areas	20.509		486,464
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		32,050
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		4,541
Highway Safety Cluster			
State and Community Highway Safety	20.600		184
National Priority Safety Programs	20.616		2,952
Subtotal - Highway Safety Cluster			3,136
Total US Department of Transportation			557,141
Department of the Treasury			
"Covid 19" CLFRF	21.027		5,681,955
Total US Department of the Treasury			5,681,955
General Services Administration			
Pass-Through the SD Federal Property Agency			
Donation of Federal Surplus Personal Property (see note 3)	39.003		1,541
National Endowment for the Humanities			
Direct Federal Funding			
Grants to States	45.310		15,000
Environmental Protection Agency			
Pass-Through the SD Department of Environmental and Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	66.458		4,489,369
Capitalization Grants for Drinking Water State Revolving Funds	66.468		42,486
Total Department of United States Environmental Protection Agency			4,531,855
Department of Health and Human Services			
Pass-Through the SD Department of Social Services			
Aging Cluster			
Special Programs for the Aging Title III, Part C - Nutrition Services	93.045		177,028
Nutrition Services Incentive Program	93.053		33,853
Total Department of Health and Human Services			210,881
Department of Homeland Security			
Pass-Through the SD Department of Public Safety, Office of Emergency Management			
Homeland Security Grant	97.067		2,405
Grand Total			\$ 11,120,643

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

City of Mitchell
Supplemental Information
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022 (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, 2022. 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.