

**CITY OF SPEARFISH**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2022**



**Ketel Thorstenson, LLP**

Certified Public Accountants/Business & Personal Consultants

**[ktllp.com](http://ktllp.com)**

**CITY OF SPEARFISH**

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Spearfish  
Spearfish, South Dakota

### **Report on the Financial Statements**

#### ***Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF SPEARFISH** (the City), Lawrence County, South Dakota, 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 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, and the aggregate remaining fund information of the City, 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 Unmodified Opinions***

We conducted our audits 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

#### ***Effect of Adopting New Accounting Standard***

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board issued GASB 87, *Leases*, which was adopted by the City as of January 1, 2022, and supersedes prior lease guidance. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 there 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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'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 other internal control matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 16, and the budgetary comparison information, schedule of the City's OPEB liability, and pension schedules on pages 64 through 72, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***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 accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

City of Spearfish

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### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink, reading "Ketel Thorstenson, LLP". The signature is fluid and cursive, with the letters "K", "T", and "P" being particularly prominent.

KETEL THORSTENSON, LLP  
Certified Public Accountants

September 5, 2023

## **CITY OF SPEARFISH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022**

This section of the City of Spearfish (the City) annual financial report presents our discussion and analysis of the City's financial performance during the year ended December 31, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The City's net position from governmental and business-type activities increased by \$12,328,156, primarily due to an increase in property and sales tax collections, increase in charges for services for the culture and recreation and general government functions and increased interest earnings.
- During the year, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$6,149,086 more than the \$18,637,068 governmental expenditures, excluding transfers.
- In the City's business-type activities, revenue increased by 25 percent to \$15,503,117 while expenses increased by 11 percent to \$9,324,047, due to federal and state grant receipts assisting with operational and capital costs and scheduled rate increase for water, sewer and garbage services.
- The general fund reported a \$4,261,734 current year increase in fund balance primarily due to increase in property and sales tax collections and increase in interest earnings on the investment and bank accounts.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has seven proprietary funds – the Water Fund, the Electric Production Fund, the Sewer Fund, the Airport Fund, the Parking Fund, the Solid Waste Fund, and the Campground Fund. In addition, the City has an Internal Service Fund for health insurance.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The table below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer systems
<b>Required Financial Statements</b>	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/ Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of Inflow/ Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## **CITY OF SPEARFISH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022**

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

##### Government-wide Statements

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

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

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

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

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

##### Fund Financial Statements

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

- State law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

**Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the end of the year that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's proprietary funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Net Position

The City's combined net position increased by 8.36 percent between 2021 and 2022 – increasing by \$12,328,156 (see Table A-1).

Statement of Net Position Table A-1						
	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current & Other Assets	\$ 36,900,710	\$ <b>36,440,950</b>	\$ 16,867,336	\$ <b>20,088,768</b>	\$ 53,768,046	\$ <b>56,529,718</b>
Capital Assets	71,350,317	<b>84,674,903</b>	59,194,963	<b>63,374,495</b>	130,545,280	<b>148,049,398</b>
Total Assets	108,251,027	<b>121,115,853</b>	76,062,299	<b>83,463,263</b>	184,313,326	<b>204,579,116</b>
Pension & OPEB Related Deferred Outflows of Resources	\$ 71,861	\$ <b>2,228,371</b>	\$ 16,369	\$ <b>390,228</b>	\$ 88,230	\$ <b>2,618,599</b>
Long-Term Debt	\$ 28,029,106	\$ <b>35,472,391</b>	\$ 4,117,414	\$ <b>3,480,779</b>	\$ 32,146,520	\$ <b>38,953,170</b>
Other Liabilities	1,551,777	<b>2,081,060</b>	1,759,027	<b>3,299,378</b>	3,310,804	<b>5,380,438</b>
Total Liabilities	\$ 29,580,883	\$ <b>37,553,451</b>	\$ 5,876,441	\$ <b>6,780,157</b>	\$ 35,457,324	\$ <b>44,333,608</b>
Lease, Pension, OPEB, and Other Related Deferred Inflows of Resources	\$ 1,186,549	\$ <b>2,489,018</b>	\$ 207,781	\$ <b>497,031</b>	\$ 1,394,330	<b>2,986,049</b>
Net Position:						
Net Investment in Capital Assets	\$ 44,045,403	\$ <b>49,955,312</b>	\$ 55,194,500	\$ <b>60,024,112</b>	\$ 99,239,903	\$ <b>109,979,424</b>
Restricted	8,496,725	<b>7,057,281</b>	119,066	<b>139,395</b>	8,615,791	<b>7,196,676</b>
Unrestricted	25,013,328	<b>26,289,162</b>	14,680,880	<b>16,412,796</b>	39,694,208	<b>42,701,958</b>
Total Net Position	\$ 77,555,456	\$ <b>83,301,755</b>	\$ 69,994,446	\$ <b>76,576,303</b>	\$ 147,549,902	\$ <b>159,878,058</b>
Beginning Net Position	\$ 71,379,314	\$ <b>77,555,456</b>	\$ 66,656,507	\$ <b>69,994,446</b>	\$ 138,035,821	\$ <b>147,549,902</b>
Change in Net Position	6,176,142	<b>5,746,299</b>	3,337,939	<b>6,581,857</b>	9,514,081	<b>12,328,156</b>
Percentage of Increase in Net Position	8.65%	<b>7.41%</b>	5.01%	<b>9.40%</b>	6.89%	<b>8.36%</b>

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable, other post-employment benefits, tax increment district financing, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City's assets and liabilities is its net position.

## CITY OF SPEARFISH

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

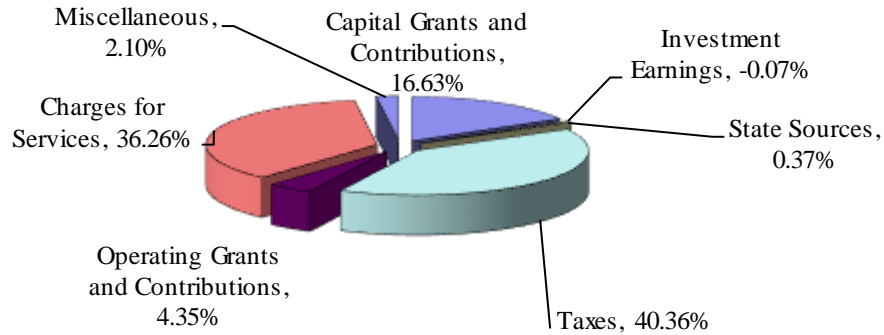
#### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

##### Changes in Net Position

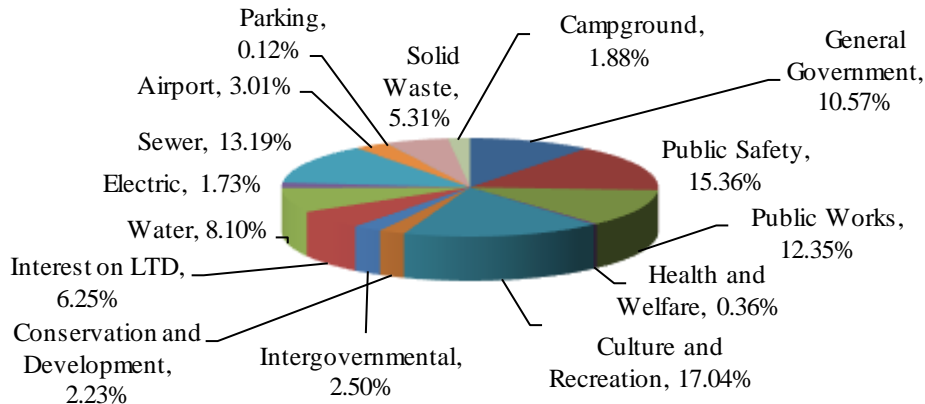
The City's total revenues (excluding transfers) totaled \$40,289,271 (see Table A-2). Approximately 40 cents of every dollar of the City's revenue comes from taxes, with 36 cents of every dollar raised coming from charges for services (primarily water, sewer, recreation and aquatic park and solid waste operations). In 2022, approximately 16 cents of every dollar came from capital grants and contributions (See Figure A-1).

The total cost of all programs and services increased \$2,973,322 from 2021 to 2022. The City's expenses cover a range of services, including public works administration, public safety, and culture and recreation. (See Figure A-2).

**Figure A-1: Revenue Sources for 2022**



**Figure A-2: Expenditures for 2022**



**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Changes in Net Position

Table A-2						
	Total Governmental Activities		Total Business-Type Activities		Grand Total	
	2021	2022	2021	2022	2021	2022
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 4,277,982	\$ 4,142,142	\$ 10,112,018	\$ 10,467,263	\$ 14,390,000	\$ 14,609,405
Operating Grants and Contributions	1,526,613	1,715,833	531	35,333	1,527,144	1,751,166
Capital Grants and Contributions	738,595	1,540,815	2,297,551	5,161,097	3,036,146	6,701,912
<i>General Revenues</i>						
Taxes	14,880,101	16,259,580	-	-	14,880,101	16,259,580
Revenue State Sources	136,879	150,189	-	-	136,879	150,189
Unrestricted Investment						
Earnings (Loss)	(3,122)	179,890	(12,473)	(208,129)	(15,595)	(28,239)
Miscellaneous	506,285	797,705	40,914	47,553	547,199	845,258
<b>Total Revenues</b>	\$ 22,063,333	\$ 24,786,154	\$ 12,438,541	\$ 15,503,117	\$ 34,501,874	\$ 40,289,271
<b>Expenses</b>						
General Government	\$ 2,664,055	\$ 2,953,060	\$ -	\$ -	\$ 2,664,055	\$ 2,953,060
Public Safety	4,274,631	4,295,292	-	-	4,274,631	4,295,292
Public Works	3,254,657	3,453,273	-	-	3,254,657	3,453,273
Health and Welfare	61,498	99,302	-	-	61,498	99,302
Culture and Recreation	3,599,444	4,765,492	-	-	3,599,444	4,765,492
Conservation and Development	614,638	622,368	-	-	614,638	622,368
Interest on Long-Term Debt	1,556,142	1,748,613	-	-	1,556,142	1,748,613
Intergovernmental	548,065	699,668	-	-	548,065	699,668
Water Services	-	-	2,119,989	2,266,005	2,119,989	2,266,005
Electric Services	-	-	475,174	484,611	475,174	484,611
Sewer Services	-	-	3,315,358	3,687,742	3,315,358	3,687,742
Airport	-	-	739,160	840,567	739,160	840,567
Parking	-	-	32,457	34,446	32,457	34,446
Solid Waste	-	-	1,298,109	1,485,428	1,298,109	1,485,428
Campground	-	-	434,416	525,248	434,416	525,248
<b>Total Expenses</b>	\$ 16,573,130	\$ 18,637,068	\$ 8,414,663	\$ 9,324,047	\$ 24,987,793	\$ 27,961,115
<b>Excess Revenues Before Transfers</b>	\$ 5,490,203	\$ 6,149,086	\$ 4,023,878	\$ 6,179,070	\$ 9,514,081	\$ 12,328,156
Transfers	685,939	(402,787)	(685,939)	402,787	-	-
<b>Increase in Net Position</b>	\$ 6,176,142	\$ 5,746,299	\$ 3,337,939	\$ 6,581,857	\$ 9,514,081	\$ 12,328,156
<b>Net Position - Ending</b>	\$ 77,555,456	\$ 83,301,755	\$ 69,994,446	\$ 76,576,303	\$ 147,549,902	\$ 159,878,058

## **CITY OF SPEARFISH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022**

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

##### **Governmental Activities**

Revenues of the City's governmental activities exceeded expenditures by \$6,149,086 excluding transfers, due to increase in property and sales tax collections, increase in interest revenues earned on the City investment and bank accounts, increased revenues from operations of the Spearfish Recreation and Aquatics Center from rate and programming changes, and increased revenues in the general government function from the administrative fees charged to enterprise funds for administrative staff functions of the city.

##### **Business-Type Activities**

Revenues of the City's business-type activities exceeded expenses by \$6,179,070 excluding transfers, due to the receipt of federal and state grants for capital projects in the sewer and airport funds and from private contributions from Elkhorn Ridge at Frawley Ranches and Centennial Mountain LLC for the joint project to increase the exit 17 sewer lift station and sewer collections lines.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains several governmental funds and seven business-type funds. Nearly all of the City's funds had an increase in fund balance or net position during the year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations by contingency transfer to prevent budget overruns.

**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**CAPITAL ASSET ADMINISTRATION**

By the end of 2022, the City had invested \$148,049,398 in a broad range of capital assets, including land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$17,504,118.

<b>Table A-3</b>				
<b>Capital Assets (Net of Depreciation)</b>				
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
Land	\$ 14,289,264	\$ 14,259,165	\$ 8,087,363	\$ 8,087,363
Buildings	15,212,395	14,744,424	5,653,424	5,343,886
Improvements	30,897,380	31,333,913	43,392,623	43,241,256
Machinery and Equipment	2,984,722	5,365,285	1,659,967	1,809,078
Construction Work in Progress	7,966,556	18,972,116	401,586	4,892,912
<b>Totals</b>	<b>\$ 71,350,317</b>	<b>\$ 84,674,903</b>	<b>\$ 59,194,963</b>	<b>\$ 63,374,495</b>

This year's major capital asset changes included:

**Governmental Fund Assets:**

- Continued construction of new sports complex, Sky Ridge Sportsplex, to be completed in 2023, for \$7,841,194. The complex will be used for playing softball and soccer beginning in 2024.
- Continued construction of street infrastructure for a workforce housing development, Sky Ridge, for \$2,092,005; project planned for completion in 2023.
- Completed construction on the Exit 8 Recreation Path project, phase 1 total project cost of \$1,341,678.61 with funding from the SD Department of Transportation, Transportation Alternatives Grant program.
- The acceptance of developer contributed assets related to the streets of Bridgestone Street, Eastwood Court, Pronghorn Road, Oak Crest Court, and a small section of recreational trails in the Creekside Development for \$871,485.
- Purchased a new aerial ladder fire truck for \$1,250,783, two new plow trucks with various attachments and a large snowblower for streets for \$584,983, and a utility tractor with various attachments for parks for \$89,300.

**Business-type Assets:**

- Acceptance of developer contributed assets related to water and sewer infrastructure for Bridgestone Street, Eastwood Court, Pronghorn Road, and Oak Crest Court for \$1,065,662.
- Began construction of a new water well at the Sky Ridge Sportsplex to be used for irrigation and municipal supply for \$610,306, project expected to be completed in 2024.
- Purchased a replacement pump for the Young Well for \$230,280 and a backhoe loader for \$160,511 from water funds.
- Repaired sewer lines using a cured in place pipe process for \$943,604 from sewer funds.
- Repaired the Taxilane surface at Black Hills Airport for \$713,863 from airport funds utilizing federal and state grants.
- Began design and engineering work to replace the water main in the City Campground for \$46,850, project scheduled for construction in 2025.

**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**LONG-TERM DEBT**

At year-end, the City had \$38,953,170 in Sales Tax Refunding Bonds, Tax Increment Debt, State Revolving Fund debt, and other long-term obligations. This is an increase from 2021 as shown on Table A-4 below as a result of 2022 Sales Tax Revenue Bonds issued. The City made scheduled payments throughout the year on its debt balances.

<b>Table A-4 Outstanding Debt and Obligations</b>				
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	2021	2022	2021	2022
Compensated Absences	\$ 724,192	\$ 752,800	\$ 116,951	\$ 130,396
Sales Tax Refunding Bonds 2015	3,740,000	3,220,000	-	-
Premium on Refunding Bonds 2015	125,834	106,475	-	-
Sales Tax Revenue Bonds 2020	9,310,000	8,920,000	-	-
Premium on Revenue Bonds 2020	321,885	304,791	-	-
Sales Tax Revenue Bonds 2022	-	7,090,000	-	-
Premium on Revenue Bonds 2022	-	686,070	-	-
TID #1 Elkhorn Ridge	3,776,605	3,776,605	-	-
TID #4 Creekside	646,488	531,919	-	-
TID #1 Accrued Interest	9,384,102	10,083,731	-	-
Wastewater Revenue Bond	-	-	2,861,857	2,553,317
SRF Loan - Water	-	-	1,138,606	797,066
<b>Total</b>	<b>\$ 28,029,106</b>	<b>\$ 35,472,391</b>	<b>\$ 4,117,414</b>	<b>\$ 3,480,779</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's current economic position made improvement in 2022. The City experienced an increase in total property valuation of \$26,984,322 or 2.6 percent from the prior year due to continued new commercial and residential constructions. This increase in property valuation allows the City the ability to increase the amount of revenue generated from property taxes by approximately \$71,806. Due to the significant growth in construction, the property tax mill levy decreased from \$2.709 per \$1,000 assessed valuation to \$2.160 per \$1,000 assessed valuation for 2023 collections. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3 percent or an amount based on the Consumer Price Index (CPI), whichever is lower.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The City experienced a 10.8 percent increase in taxable sales over the prior year. Despite the increase in sales tax revenues, the City has adopted a conservative budget with no increase in sales tax revenues to be prepared for a decline in taxable sales.

The City's adopted General Fund budget for the next fiscal year will increase \$3,042,540 or 18.3 percent. This increase is due to adding positions within the public safety and public works divisions and planning on several capital construction projects to be done in 2023.

The City's business-type activities (water, sewer and garbage operations) expect that the results for 2023 will improve based on annual rate increase implemented to cover the increasing cost of repair and replacement of aging infrastructure.

**CITY OF SPEARFISH**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Spearfish Finance Office, 625 Fifth Street, Spearfish, SD 57783.



**CITY OF SPEARFISH**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 27,839,210	\$ 10,297,401	\$ 38,136,611
Investments	5,386,678	6,664,571	12,051,249
Accounts and Notes Receivable, Net	2,037,135	2,877,436	4,914,571
Lease Receivable	1,072,936	244,924	1,317,860
Other Assets	81,222	151	81,373
Net Pension Asset	23,769	4,285	28,054
Capital Assets:			
Land and Construction in Progress	33,231,281	12,980,275	46,211,556
Other Capital Assets, Net of Depreciation	51,443,622	50,394,220	101,837,842
<b>TOTAL ASSETS</b>	<b>\$ 121,115,853</b>	<b>\$ 83,463,263</b>	<b>\$ 204,579,116</b>
<b>Deferred Outflows of Resources</b>			
Pension Related Deferred Outflow of Resources	\$ 2,168,796	\$ 376,436	\$ 2,545,232
OPEB Related Deferred Outflow of Resources	59,575	13,792	73,367
	2,228,371	390,228	2,618,599
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 123,344,224</b>	<b>\$ 83,853,491</b>	<b>\$ 207,197,715</b>

**CITY OF SPEARFISH**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Liabilities:</b>			
Accounts Payable	\$ 1,563,720	\$ 630,419	\$ 2,194,139
Unearned Revenue	81,370	2,357,396	2,438,766
Other Current Liabilities	241,173	266,468	507,641
Other Post Employment Benefits	194,797	45,095	239,892
Long-Term Liabilities			
Due Within One Year	2,620,685	795,362	3,416,047
Due in More Than One Year	32,851,706	2,685,417	35,537,123
<b>TOTAL LIABILITIES</b>	<b>37,553,451</b>	<b>6,780,157</b>	<b>44,333,608</b>
<b>Deferred Inflow of Resources</b>			
Pension Related Deferred Inflow of Resources	\$ 1,390,381	\$ 241,328	\$ 1,631,709
OPEB Related Deferred Inflow of Resources	67,257	15,569	82,826
Lease Related Deferred Inflows	1,031,380	240,134	1,271,514
	2,489,018	497,031	2,986,049
<b>Net Position:</b>			
Net Investment in Capital Assets	49,955,312	60,024,112	109,979,424
Restricted for:			
Debt Service	768	-	768
Promoting the City	919,690	-	919,690
Library Purposes	357,417	-	357,417
Park Purposes	234,385	-	234,385
911 Purposes	660,403	-	660,403
Fire Capital Fund	388,147	-	388,147
SAFER Fund	43,794	-	43,794
Business Improvement District Purposes	66,716	-	66,716
Rifle Range Improvement Grant	8,649	-	8,649
Municipal Highway and Bridge	3,055,650	-	3,055,650
Special Assessments Revolving Loan Fund	1,555	-	1,555
PD Equitable Sharing Fund	2,654	-	2,654
Pension - SDRS	802,184	139,395	941,579
Perpetual Care Cemetery			
Expendable	465,269	-	465,269
Nonexpendable	50,000	-	50,000
Unrestricted	26,289,162	16,412,796	42,701,958
<b>TOTAL NET POSITION</b>	<b>83,301,755</b>	<b>76,576,303</b>	<b>159,878,058</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 123,344,224</b>	<b>\$ 83,853,491</b>	<b>\$ 207,197,715</b>

The accompanying notes are an integral part of the financial statements.

CITY OF SPEARFISH

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	- - - Program Revenues - - -				Net (Expense) Revenue and ----- Changes in Net Position -----		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 2,953,060	\$ 2,461,652	\$ -	\$ -	\$ (491,408)	\$ -	\$ (491,408)
Public Safety	4,295,292	649,480	176,594	-	(3,469,218)	-	(3,469,218)
Public Works	3,453,273	44,374	1,539,239	1,540,815	(328,845)	-	(328,845)
Health and Welfare	99,302	-	-	-	(99,302)	-	(99,302)
Culture and Recreation	4,765,492	986,636	-	-	(3,778,856)	-	(3,778,856)
Conservation and Development	622,368	-	-	-	(622,368)	-	(622,368)
Intergovernmental	699,668	-	-	-	(699,668)	-	(699,668)
Interest on Long-Term Debt*	1,748,613	-	-	-	(1,748,613)	-	(1,748,613)
<b>Total Governmental Activities</b>	<b>18,637,068</b>	<b>4,142,142</b>	<b>1,715,833</b>	<b>1,540,815</b>	<b>(11,238,278)</b>	<b>-</b>	<b>(11,238,278)</b>
Business-Type Activities:							
Water	2,266,005	3,359,071	-	480,742	-	1,573,808	1,573,808
Electric	484,611	656,081	-	-	-	171,470	171,470
Sewer	3,687,742	4,274,793	-	4,005,878	-	4,592,929	4,592,929
Airport	840,567	86,993	35,333	674,477	-	(43,764)	(43,764)
Parking	34,446	28,318	-	-	-	(6,128)	(6,128)
Solid Waste	1,485,428	1,495,466	-	-	-	10,038	10,038
Campground	525,248	566,541	-	-	-	41,293	41,293
<b>Total Business-Type Activities</b>	<b>9,324,047</b>	<b>10,467,263</b>	<b>35,333</b>	<b>5,161,097</b>	<b>-</b>	<b>6,339,646</b>	<b>6,339,646</b>
<b>Total Primary Government</b>	<b>\$ 27,961,115</b>	<b>\$ 14,609,405</b>	<b>\$ 1,751,166</b>	<b>\$ 6,701,912</b>	<b>(11,238,278)</b>	<b>6,339,646</b>	<b>(4,898,632)</b>
General Revenues:							
Taxes:							
Property Taxes					3,608,665	-	3,608,665
Sales Taxes					12,525,615	-	12,525,615
Gross Receipts Tax					125,300	-	125,300
State Shared Revenue					150,189	-	150,189
Grants and Contributions Not Restricted					134,716	-	134,716
Unrestricted Investment Earnings (Loss)					179,890	(208,129)	(28,239)
Miscellaneous Revenue					662,989	47,553	710,542
Transfers					(402,787)	402,787	-
Total General Revenue and Transfers					16,984,577	242,211	17,226,788
<b>Change in Net Position</b>					<b>5,746,299</b>	<b>6,581,857</b>	<b>12,328,156</b>
Net Position, Beginning					77,555,456	69,994,446	147,549,902
<b>Net Position, Ending</b>					<b>\$ 83,301,755</b>	<b>\$ 76,576,303</b>	<b>\$ 159,878,058</b>

The accompanying notes are an integral part of the financial statements.

\*The City does not have interest expense related to the functions presented above.

This amount includes indirect interest expense on general long-term debt.

**CITY OF SPEARFISH**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Workforce Housing Fund - TIF #6</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
101 Cash and Cash Equivalents	\$ 19,772,216	\$ 27,432	\$ 2,912,570	\$ 4,932,840	\$ 27,645,058
104 Investments	1,081,247	-	2,017,270	2,288,161	5,386,678
108 Property Taxes Receivable	18,234	-	-	-	18,234
110 Sales Taxes Receivable	61,525	-	-	1,900	63,425
115 Accounts Receivable	83,053	-	390,080	5,040	478,173
121 Special Assessments Receivable	806	-	-	8,874	9,680
128 Notes Receivable	-	-	-	1,117,311	1,117,311
130 Lease Receivable	1,072,936	-	-	-	1,072,936
132 Due from Other Governments	297,059	-	-	53,253	350,312
133 Advance To Other Funds	1,500,000	-	-	-	1,500,000
141 Inventory of Supplies	1,773	-	-	-	1,773
<b>Total Assets</b>	<b>\$ 23,888,849</b>	<b>\$ 27,432</b>	<b>\$ 5,319,920</b>	<b>\$ 8,407,379</b>	<b>\$ 37,643,580</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<i>Liabilities</i>					
202 Accounts Payable	\$ 162,087	\$ 26,483	\$ 1,194,321	\$ 179,526	\$ 1,562,417
216 Accrued Wages Payable	134,100	-	-	11,016	145,116
219 Amounts Held for Others	-	-	-	15,000	15,000
220 Customer Deposits	48,500	-	-	-	48,500
223 Unearned Revenues	3,144	-	-	-	3,144
236 Advance From Other Funds	-	-	1,500,000	-	1,500,000
<b>Total Liabilities</b>	<b>347,831</b>	<b>26,483</b>	<b>2,694,321</b>	<b>205,542</b>	<b>3,274,177</b>
<i>Deferred Inflows of Resources</i>					
245 Unavailable Revenue - Property Taxes	5,297	-	-	-	5,297
247 Lease Related Deferred Inflows	1,031,380	-	-	-	1,031,380
<b>Total Deferred Inflows of Resources</b>	<b>1,036,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,036,677</b>
<i>Fund Balances</i>					
263 Nonspendable	1,501,773	-	-	50,000	1,551,773
264 Restricted	8,649	-	-	6,196,448	6,205,097
265 Committed	-	949	2,625,599	1,955,389	4,581,937
266 Assigned	499,262	-	-	-	499,262
267 Unassigned	20,494,657	-	-	-	20,494,657
<b>Total Fund Balances</b>	<b>22,504,341</b>	<b>949</b>	<b>2,625,599</b>	<b>8,201,837</b>	<b>33,332,726</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 23,888,849</b>	<b>\$ 27,432</b>	<b>\$ 5,319,920</b>	<b>\$ 8,407,379</b>	<b>\$ 37,643,580</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SPEARFISH**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

Total Fund Balances - Governmental Funds \$ 33,332,726

Amounts reported for governmental activities in the Statement  
of Net Position are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. 84,674,903

Long-term liabilities, including bonds payable, accrued interest on TID #1,  
and unamortized premium on bond are not due and payable in the current  
period and therefore not reported in the funds. (35,472,391)

Assets such as delinquent taxes receivable, special assessments receivable, and  
grants receivable are not available to pay for current period expenditures and  
therefore are deferred in the funds. 5,297

Accrued interest expense, excluding TID #1, is not due and payable in the  
current period and therefore is not reported in the funds (See Note 7). (32,557)

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 the governmental activities in the Statement of  
Net Position. 194,072

Net pension asset reported in governmental activities is not an available  
financial resource and therefore is not reported in the funds. 23,769

Pension related deferred inflows are components of pension asset  
and therefore are not reported in the funds. (1,390,381)

Pension related deferred outflows are components of pension asset  
and therefore are not reported in the funds. 2,168,796

OPEB liability reported in the governmental activities is not due and  
payable in the current period and therefore not reported in the funds. (194,797)

OPEB related deferred outflows are components of OPEB liability  
and therefore are not reported in the funds. 59,575

OPEB related deferred inflows are components of OPEB liability  
and therefore are not reported in the funds. (67,257)

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**Total Net Position - Governmental Activities \$ 83,301,755**

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The accompanying notes are an integral part of the financial statements.

CITY OF SPEARFISH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund - TIF #6	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
<i>Taxes:</i>					
311 General Property Taxes	\$ 2,757,647	\$ -	\$ -	\$ 655,446	\$ 3,413,093
313 General Sales and Use Taxes	11,659,607	-	-	866,008	12,525,615
314 Gross Receipts Tax	125,300	-	-	-	125,300
315 Amusement Taxes	-	-	-	188,588	188,588
319 Penalties and Interest on Delinquent Taxes	2,867	-	-	65	2,932
320 Licenses and Permits	756,832	-	-	-	756,832
<i>Intergovernmental Revenue:</i>					
331 Federal Grants	1,289	-	-	159,988	161,277
334 State Grants	91,369	-	-	566,948	658,317
State Shared Revenue:					
35.03 Liquor Tax Reversion	85,439	-	-	-	85,439
35.04 Motor Vehicle Licenses (5%)	132,798	-	-	-	132,798
35.06 Fire Insurance Premium Reversion	64,750	-	-	-	64,750
35.08 Local Government Highway and Bridge Fund	-	-	-	143,925	143,925
35.09 911 Remittances	-	-	-	176,594	176,594
35.20 Other	235,541	-	2	-	235,543
County Shared Revenue:					
339 County Payments in Lieu of Taxes	207,379	-	-	-	207,379
<i>Charges for Goods and Services:</i>					
341 General Government	1,704,820	-	-	-	1,704,820
342 Public Safety	424,609	-	-	222,544	647,153
343 Highways and Streets	400	-	-	-	400
346 Culture and Recreation	956,754	-	-	18,634	975,388
348 Cemeteries	27,073	-	-	16,901	43,974
<i>Fines and Forfeits:</i>					
351 Court Fines and Costs	107	-	-	-	107
354 Library	-	-	-	11,248	11,248
359 Other	2,220	-	-	-	2,220
<i>Miscellaneous Revenue:</i>					
361 Earnings (Loss) on Deposits and Investments	111,257	2,223	93,716	(29,263)	177,933
362 Rentals	172,420	-	-	11,027	183,447
363 Special Assessments	124,896	-	-	550	125,446
367 Contributions and Donations - Private Sources	85,467	5,000	-	44,249	134,716
369 Other	-	-	-	361	361
<b>Total Revenue</b>	<b>19,730,841</b>	<b>7,223</b>	<b>93,718</b>	<b>3,053,813</b>	<b>22,885,595</b>

CITY OF SPEARFISH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund - TIF #6	Other Governmental Funds	Total Governmental Funds
<b>Expenditures</b>					
<i>General Government:</i>					
411 Legislative	150,394	-	-	-	150,394
412 Executive	275,503	-	-	-	275,503
414 Financial Administration	808,482	-	-	-	808,482
419 Other	1,451,503	-	-	-	1,451,503
<i>Public Safety:</i>					
421 Police	2,322,758	37,468	-	676,770	3,036,996
422 Fire	745,195	-	-	90,073	835,268
423 Protective Inspection	318,236	-	-	-	318,236
<i>Public Works:</i>					
431 Highways and Streets	1,696,715	603	-	26,593	1,723,911
437 Cemeteries	117,572	-	-	2,846	120,418
<i>Health and Welfare:</i>					
441 Health	74,715	25,000	-	-	99,715
<i>Culture and Recreation:</i>					
451 Recreation	1,767,820	-	-	657,568	2,425,388
452 Parks	907,324	-	244,269	5,723	1,157,316
455 Library	475,118	-	-	15,348	490,466
<i>Conservation and Development:</i>					
463 Urban Redevelopment and Housing	11,182	30,131	-	-	41,313
465 Economic Development and Assistance	234,959	-	-	226,474	461,433
470 Debt Service	-	654,883	1,101,367	663,284	2,419,534
480 Intergovernmental Expenditures	543,217	-	-	-	543,217
485 Capital Outlay	2,618,740	751,347	9,933,200	1,718,324	15,021,611
<b>Total Expenditures</b>	<b>14,519,433</b>	<b>1,499,432</b>	<b>11,278,836</b>	<b>4,083,003</b>	<b>31,380,704</b>
<b>Excess (Deficit) of Revenue over Expenditures</b>	<b>5,211,408</b>	<b>(1,492,209)</b>	<b>(11,185,118)</b>	<b>(1,029,190)</b>	<b>(8,495,109)</b>
<b>Other Financing Sources (Uses)</b>					
391.01 Transfers In	343,947	1,459,102	290,250	579,478	2,672,777
391.04 Compensation for Loss or Damage	43,610	-	-	-	43,610
391 Sale of Municipal Property	5,670	-	460,000	-	465,670
511 Transfers Out	(1,342,901)	(50,000)	(569,311)	(1,113,352)	(3,075,564)
391.25 Revenue Bonds Issued	-	-	8,102,459	-	8,102,459
<b>Total Other Financing Sources (Uses)</b>	<b>(949,674)</b>	<b>1,409,102</b>	<b>8,283,398</b>	<b>(533,874)</b>	<b>8,208,952</b>
<b>Net Change in Fund Balances</b>	<b>4,261,734</b>	<b>(83,107)</b>	<b>(2,901,720)</b>	<b>(1,563,064)</b>	<b>(286,157)</b>
Fund Balances - December 31, 2021	18,242,607	84,056	5,527,319	9,764,901	33,618,883
<b>Fund Balances - December 31, 2022</b>	<b>\$ 22,504,341</b>	<b>\$ 949</b>	<b>\$ 2,625,599</b>	<b>\$ 8,201,837</b>	<b>\$ 33,332,726</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SPEARFISH**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Government Funds \$ (286,157)

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

Government funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense.	
Capital Asset Purchases Capitalized	15,021,611
Depreciation Expense	(3,082,295)
	<hr/> 11,939,316 <hr/>
Capital assets contributed to the City, which are included in the Statement of Activities.	1,415,369
The governmental funds reflect proceeds from capital asset sales, if any, while the Statement of Activities reports a gain or loss on sale or disposal of capital assets.	(30,099)
The fund financial statement governmental fund accruals differ from the government-wide statement accruals in that the fund financial statements require the amounts to be "available." These include:	
Property Taxes	4,052
Repayment of bond principal, payment made to escrow agent, including interest on TID #1, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,837,305
Premium on bond issue is a revenue in the governmental funds but is capitalized and amortized in the Statement of Net Position.	67,842
Borrowings on long-term debt, including premiums, are an other financing source in the governmental funds, but increases long-term liabilities in the Statement of Net Position.	(8,102,459)
Accrued interest on TID #1 increases long-term liabilities in the Statement of Net Position but is not reported in the governmental funds.	(1,217,365)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These include:	
Accrued Leave	(28,608)
OPEB	(13,477)
Accrued Interest (excluding TID #1)	(16,861)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.	12,501
Changes in the pension related deferred outflows/inflows, pension asset, and related pension expenses.	164,940
	<hr/>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 5,746,299</b>

The accompanying notes are an integral part of the financial statements.



**CITY OF SPEARFISH**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<b>Water Fund</b>	<b>Electric Production Fund</b>	<b>Sewer Fund</b>
<b>Assets</b>			
<i>Current Assets</i>			
101 Cash and Cash Equivalents	\$ 3,600,981	\$ 1,200,421	\$ 3,627,184
104 Investments	3,963,954	584,974	1,323,547
115 Accounts Receivable, Net	205,322	-	1,633,438
130 Lease Receivable - Short Term	-	-	-
132 Due from Other Governments	-	-	-
155 Prepaid Expenses	-	-	-
<b>Total Current Assets</b>	<b>7,770,257</b>	<b>1,785,395</b>	<b>6,584,169</b>
<i>Noncurrent Asset</i>			
130 Lease Receivable - Long Term	-	-	-
189 Net Pension Asset	803	518	2,009
<i>Capital Assets</i>			
160 Land	208,583	150,000	302,354
162 Buildings	2,582,831	50,000	7,459,506
163 Accumulated Depreciation - Buildings	(1,805,992)	(37,333)	(4,688,858)
164 Improvements Other Than Buildings	26,746,459	1,257,352	28,973,724
165 Accumulated Depreciation - Improvements Other Than Buildings	(11,400,398)	(151,040)	(12,246,318)
166 Machinery and Equipment	2,581,023	209,445	3,841,650
167 Accumulated Depreciation - Machinery and Equipment	(1,826,978)	(154,923)	(3,519,755)
168 Construction Work in Progress	687,637	-	3,087,272
<b>Total Capital Assets, Net</b>	<b>17,773,165</b>	<b>1,323,501</b>	<b>23,209,575</b>
<b>Total Assets</b>	<b>25,544,225</b>	<b>3,109,414</b>	<b>29,795,753</b>
<b>Deferred Outflows of Resources</b>			
196 Pension Related Deferred Outflows	69,289	56,582	175,498
196 OPEB Related Deferred Outflows	2,589	1,729	5,733
	71,878	58,311	181,231
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 25,616,103</b>	<b>\$ 3,167,725</b>	<b>\$ 29,976,984</b>

The accompanying notes are an integral part of the financial statements.

<b>Airport Fund</b>	<b>Parking Fund</b>	<b>Solid Waste Fund</b>	<b>Campground Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Employee Health Insurance Fund</b>
\$ 9,809	\$ 70,877	\$ 732,811	\$ 1,055,318	\$ 10,297,401	\$ 194,152
-	-	552,981	239,115	6,664,571	-
5,452	-	135,404	-	1,979,616	-
5,551	-	-	-	5,551	-
897,820	-	-	-	897,820	-
-	151	-	-	151	79,449
<b>918,632</b>	<b>71,028</b>	<b>1,421,196</b>	<b>1,294,433</b>	<b>19,845,110</b>	<b>273,601</b>
239,373	-	-	-	239,373	-
-	-	861	94	4,285	-
7,207,206	48,000	-	171,220	8,087,363	-
2,405,651	-	-	401,228	12,899,216	-
(751,766)	-	-	(271,381)	(7,555,330)	-
12,500,633	-	19,258	437,507	69,934,933	-
(2,660,021)	-	(15,451)	(220,449)	(26,693,677)	-
84,275	-	2,235,463	78,120	9,029,976	-
(71,718)	-	(1,571,523)	(76,001)	(7,220,898)	-
1,067,103	-	-	50,900	4,892,912	-
<b>19,781,363</b>	<b>48,000</b>	<b>667,747</b>	<b>571,144</b>	<b>63,374,495</b>	<b>-</b>
<b>20,939,368</b>	<b>119,028</b>	<b>2,089,804</b>	<b>1,865,671</b>	<b>83,463,263</b>	<b>273,601</b>
76	-	67,552	7,439	376,436	-
-	-	3,392	349	13,792	-
76	-	70,944	7,788	390,228	-
<b>\$ 20,939,444</b>	<b>\$ 119,028</b>	<b>\$ 2,160,748</b>	<b>\$ 1,873,459</b>	<b>\$ 83,853,491</b>	<b>\$ 273,601</b>

**CITY OF SPEARFISH**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<b>Water Fund</b>	<b>Electric Production Fund</b>	<b>Sewer Fund</b>
<b>Liabilities and Net Position</b>			
<i>Current Liabilities</i>			
202 Accounts Payable	\$ 62,186	\$ -	\$ 489,439
205 Current Portion of Long-Term Debt	386,794	3,854	390,627
215 Accrued Interest Payable	2,242	-	12,235
216 Accrued Wages Payable	4,757	3,897	12,507
220 Customer Deposits	159,150	-	-
223 Unearned Revenues	-	-	2,357,396
<b>Total Current Liabilities</b>	<b>615,129</b>	<b>7,751</b>	<b>3,262,204</b>
<i>Noncurrent Liabilities</i>			
237 Long-Term Debt, Net of Current Portion	447,777	-	2,237,640
238 Other Post Employment Benefits	8,465	5,652	18,745
	<b>456,242</b>	<b>5,652</b>	<b>2,256,385</b>
<b>Deferred Inflows of Resources</b>			
247 Lease Related Deferred Inflows	-	-	-
248 Pension Related Deferred Inflow	44,420	36,274	112,509
248 OPEB Related Deferred Inflows	2,922	1,951	6,472
	47,342	38,225	118,981
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>1,118,713</b>	<b>51,628</b>	<b>5,637,570</b>
<b>Net Position</b>			
253.1 Net Investment in Capital Assets	16,976,099	1,323,501	20,656,258
264 Restricted for Pension	25,672	20,827	64,998
252.0 Unrestricted Net Position	7,495,619	1,771,769	3,618,158
<b>Total Net Position</b>	<b>24,497,390</b>	<b>3,116,097</b>	<b>24,339,414</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 25,616,103</b>	<b>\$ 3,167,725</b>	<b>\$ 29,976,984</b>

<b>Airport Fund</b>	<b>Parking Fund</b>	<b>Solid Waste Fund</b>	<b>Campground Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Employee Health Insurance Fund</b>
\$ 33,642	\$ -	\$ 42,851	\$ 2,301	\$ 630,419	\$ 1,303
-	-	6,929	7,158	795,362	-
-	-	-	-	14,477	-
-	-	14,348	123	35,632	-
1,000	-	-	56,209	216,359	-
-	-	-	-	2,357,396	78,226
<b>34,642</b>	<b>-</b>	<b>64,128</b>	<b>65,791</b>	<b>4,049,645</b>	<b>79,529</b>
-	-	-	-	2,685,417	-
-	-	11,092	1,141	45,095	-
<b>-</b>	<b>-</b>	<b>11,092</b>	<b>1,141</b>	<b>2,730,512</b>	<b>-</b>
240,134	-	-	-	240,134	-
49	-	43,307	4,769	241,328	-
-	-	3,830	394	15,569	-
240,183	-	47,137	5,163	497,031	-
<b>274,825</b>	<b>-</b>	<b>122,357</b>	<b>72,095</b>	<b>7,277,188</b>	<b>79,529</b>
19,781,363	48,000	667,747	571,144	60,024,112	-
28	-	25,106	2,764	139,395	-
883,228	71,028	1,345,538	1,227,456	16,412,796	194,072
<b>20,664,619</b>	<b>119,028</b>	<b>2,038,391</b>	<b>1,801,364</b>	<b>76,576,303</b>	<b>194,072</b>
<b>\$ 20,939,444</b>	<b>\$ 119,028</b>	<b>\$ 2,160,748</b>	<b>\$ 1,873,459</b>	<b>\$ 83,853,491</b>	<b>\$ 273,601</b>

**CITY OF SPEARFISH**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Water Fund</b>	<b>Electric Production Fund</b>	<b>Sewer Fund</b>
<b>Operating Revenue</b>			
380 Charges for Goods and Services	\$ 3,359,071	\$ 656,081	\$ 4,274,793
<b>Operating Expenses</b>			
410 Personal Services	657,690	368,827	1,258,154
420 Other Current Expenses	638,518	74,581	932,425
457 Depreciation	948,007	41,203	1,434,583
<b>Total Operating Expenses</b>	<b>2,244,215</b>	<b>484,611</b>	<b>3,625,162</b>
<b>Operating Income (Loss)</b>	<b>1,114,856</b>	<b>171,470</b>	<b>649,631</b>
<b>Non-Operating Income (Expense)</b>			
320 Licenses and Permits	9,100	-	9,101
331 Federal Grants	-	-	2,126,025
334 State Grants	-	-	-
361 Earnings (Loss) on Deposits and Investments	(163,022)	(16,577)	(15,585)
367 Contributions	-	-	1,294,933
369 Other	60	593	2,750
470 Interest Expense and Fiscal Charges	(21,790)	-	(62,580)
492 Gain (Loss) on Disposition of Assets	12,551	-	8,306
<b>Total Non-Operating Income (Expense)</b>	<b>(163,101)</b>	<b>(15,984)</b>	<b>3,362,950</b>
<b>Income (Loss) before Transfers</b>	<b>951,755</b>	<b>155,486</b>	<b>4,012,581</b>
<b>Other Financing Sources (Uses)</b>			
391.01 Transfers In	569,311	68,000	-
391.04 Compensation for Loss or Damage	386	-	-
391.07 Contributed Capital	480,742	-	584,920
511 Transfers Out	(102,815)	(253,357)	(646,671)
<b>Total Other Financing Sources (Uses)</b>	<b>947,624</b>	<b>(185,357)</b>	<b>(61,751)</b>
<b>Net Income (Loss)</b>	<b>1,899,379</b>	<b>(29,871)</b>	<b>3,950,830</b>
Net Position - December 31, 2021	22,598,011	3,145,968	20,388,584
<b>Net Position - December 31, 2022</b>	<b>\$ 24,497,390</b>	<b>\$ 3,116,097</b>	<b>\$ 24,339,414</b>

The accompanying notes are an integral part of the financial statements.

<b>Airport Fund</b>	<b>Parking Fund</b>	<b>Solid Waste Fund</b>	<b>Campground Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Employee Health Insurance Fund</b>
\$ 86,993	\$ 28,318	\$ 1,495,466	\$ 566,541	\$ 10,467,263	\$ 1,078,466
109,343	15,169	615,314	241,191	3,265,688	-
84,784	19,277	736,014	256,032	2,741,631	1,067,922
646,440	-	134,100	28,025	3,232,358	-
840,567	34,446	1,485,428	525,248	9,239,677	1,067,922
(753,574)	(6,128)	10,038	41,293	1,227,586	10,544
-	-	-	-	18,201	-
674,477	-	-	-	2,800,502	-
35,333	-	-	-	35,333	-
5,282	788	(20,544)	1,529	(208,129)	1,957
-	-	-	-	1,294,933	-
2,872	-	(1)	1,484	7,758	-
-	-	-	-	(84,370)	-
-	-	-	351	21,208	-
717,964	788	(20,545)	3,364	3,885,436	1,957
(35,610)	(5,340)	(10,507)	44,657	5,113,022	12,501
812,423	-	-	-	1,449,734	-
-	-	-	-	386	-
-	-	-	-	1,065,662	-
(21,629)	(132)	(14,195)	(8,148)	(1,046,947)	-
790,794	(132)	(14,195)	(8,148)	1,468,835	-
755,184	(5,472)	(24,702)	36,509	6,581,857	12,501
19,909,435	124,500	2,063,093	1,764,855	69,994,446	181,571
<b>\$ 20,664,619</b>	<b>\$ 119,028</b>	<b>\$ 2,038,391</b>	<b>\$ 1,801,364</b>	<b>\$ 76,576,303</b>	<b>\$ 194,072</b>

CITY OF SPEARFISH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Water Fund	Electric Production Fund	Sewer Fund
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 3,377,022	\$ 656,081	\$ 4,124,405
Payments to Suppliers	(615,194)	(74,581)	(491,585)
Payments to Employees	(655,141)	(372,880)	(1,251,733)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>2,106,687</b>	<b>208,620</b>	<b>2,381,087</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Internal Activity, Net	-	38,081	-
Operating Subsidies	-	-	-
Transfers In	569,311	68,000	-
Transfers Out	(102,815)	(253,357)	(646,671)
<b>Net Cash Flows Provided by (Used in) Noncapital Financing Activities</b>	<b>466,496</b>	<b>(147,276)</b>	<b>(646,671)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(1,086,755)	(50,390)	(4,448,371)
Proceeds on Sale of Capital Assets	12,551	-	8,306
Principal Paid on Capital Debt	(341,540)	-	(308,540)
Interest Paid	(22,750)	-	(64,058)
Other Receipts (Disbursements)	9,546	593	3,432,809
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<b>(1,428,948)</b>	<b>(49,797)</b>	<b>(1,379,854)</b>
<b>Cash Flows Provided by Investing Activities:</b>			
Investment Earnings (Losses)	(163,022)	(16,577)	(15,585)
<b>Increase (Decrease) in Cash and Investments</b>	<b>981,213</b>	<b>(5,030)</b>	<b>338,977</b>
Cash and Investments - December 31, 2021	6,583,722	1,790,425	4,611,754
<b>Cash and Investments - December 31, 2022</b>	<b>\$ 7,564,935</b>	<b>\$ 1,785,395</b>	<b>\$ 4,950,731</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating Income (Loss)	\$ 1,114,856	\$ 171,470	\$ 649,631
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</i>			
Depreciation Expense	948,007	41,203	1,434,583
Change in Assets and Liabilities:			
Change in Accounts Receivable	19,851	-	(1,256,641)
Change in Prepaid Expense	-	-	-
Change in Accounts Payable	23,324	-	440,840
Change in Accrued Wages	635	965	3,146
Change in Customer Deposits	(1,900)	-	-
Change in OPEB	(4,116)	(512)	(5,500)
Pension Asset	58,434	51,031	147,853
Change in Accrued Leave	5,340	(6,690)	11,309
Pension and OPEB Related Deferred Outflows	(68,412)	(56,613)	(174,552)
Pension and OPEB Related Deferred Inflows	10,668	7,766	24,165
Lease Related Deferred Inflows	-	-	-
Change in Unearned Revenue	-	-	1,106,253
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>\$ 2,106,687</b>	<b>\$ 208,620</b>	<b>\$ 2,381,087</b>
<b>Noncash Capital and Related Financing Activities</b>			
Capital Contributions	\$ 480,742	\$ -	\$ 584,920

The accompanying notes are an integral part of the financial statements.

<b>Airport Fund</b>	<b>Parking Fund</b>	<b>Solid Waste Fund</b>	<b>Campground Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Employee Health Insurance Fund</b>
\$ 82,329	\$ 28,318	\$ 1,486,244	\$ 570,780	\$ 10,325,179	\$ 1,075,232
(77,470)	(19,428)	(735,506)	(256,436)	(2,270,200)	(1,063,817)
(109,328)	(15,169)	(608,710)	(240,767)	(3,253,728)	-
(104,469)	(6,279)	142,028	73,577	4,801,251	11,415
859,739	-	-	-	897,820	-
(642,536)	-	-	-	(642,536)	-
812,423	-	-	-	1,449,734	-
(21,629)	(132)	(14,195)	(8,148)	(1,046,947)	-
1,007,997	(132)	(14,195)	(8,148)	658,071	-
(713,863)	-	-	(46,849)	(6,346,228)	-
-	-	-	351	21,208	-
-	-	-	-	(650,080)	-
-	-	-	-	(86,808)	-
(185,138)	-	(1)	1,484	3,259,293	-
(899,001)	-	(1)	(45,014)	(3,802,615)	-
5,282	788	(20,544)	1,529	(208,129)	1,957
9,809	(5,623)	107,288	21,944	1,448,578	13,372
-	76,500	1,178,504	1,272,489	15,513,394	180,780
<b>\$ 9,809</b>	<b>\$ 70,877</b>	<b>\$ 1,285,792</b>	<b>\$ 1,294,433</b>	<b>\$ 16,961,972</b>	<b>\$ 194,152</b>
\$ (753,574)	\$ (6,128)	\$ 10,038	\$ 41,293	\$ 1,227,586	\$ 10,544
646,440	-	134,100	28,025	3,232,358	-
(244,798)	-	(9,222)	-	(1,490,810)	-
-	(151)	-	-	(151)	2,802
7,314	-	508	(404)	471,582	1,303
-	-	10,189	123	15,058	-
-	-	-	4,239	2,339	-
(59)	-	(3,533)	(642)	(14,362)	-
156	-	57,320	7,768	322,562	-
-	-	3,182	304	13,445	-
(70)	-	(66,915)	(7,297)	(373,859)	-
(12)	-	6,361	168	49,116	-
240,134	-	-	-	240,134	-
-	-	-	-	1,106,253	(3,234)
<b>\$ (104,469)</b>	<b>\$ (6,279)</b>	<b>\$ 142,028</b>	<b>\$ 73,577</b>	<b>\$ 4,801,251</b>	<b>\$ 11,415</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,065,662	\$ -



## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Reporting Entity***

The reporting entity of the City of Spearfish (the 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The city participates in a cooperative unit with Northern Hills Multi-Jurisdictional Drug Task Force. See Note 12 entitled Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the City.

##### ***Basis of Presentation***

###### ***Government-wide Financial Statements:***

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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 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 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

## CITY OF SPEARFISH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### (1) Summary of Significant Accounting Policies

##### *Basis of Presentation*

##### *Fund Financial Statements:*

##### 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.

Second Penny Sales Tax Fund – to account for naming rights and an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the purchasing of fire fighting vehicles and equipment, debt retirement, the minor or major rehabilitation or reconstruction of streets, economic development purposes, and distribution to other political subdivisions of the State of South Dakota for an authorized public purpose under 6-5-5, including the operational costs thereof or for capital expenditures (City Ordinance No. 961). The City repealed this Ordinance during 2020, and is continuing to spend remaining fund balance. This is a major fund.

Hospitality Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodging, alcoholic beverages, prepared food, and admissions. Tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the advertising and promotion of the City, its facilities, attractions, and activities (SDCL 10-52A). This is not a major fund.

Library Gift Fund – to account for donations restricted for library expenditures (SDCL 9-43-69). This is not a major fund.

Convention Center Business Improvement District Fund – to account for special assessments against hotels within the district; used to finance and promote projects within the district as allowed (SDCL 9-55-3). This is not a major fund.

911 Emergency Fund – to account for 911 emergency surcharges collected to be used for payments of nonrecurring and recurring costs, and for the general operational expenses of the 911 related services (SDCL 34-45-12). This is not a major fund.

Special Assessment Revolving Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of the cost of such improvements assumed by the municipality and to advance the portion of such cost ultimately to be paid from collections of assessments (SDCL 9-43-69). This is not a major fund.

Spearfish Economic Revolving Fund – to account for the revolving loan fund established to loan new business funds which will be repaid over a period of years. This is not a major fund.

Special Park Gift Fund – to account for any gift, grant, devise or bequest made by any person, private agency, agency of state government, the federal government, or any of its agencies for park purposes (SDCL 9-38-112). This is not a major fund.

## CITY OF SPEARFISH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### (1) Summary of Significant Accounting Policies

##### *Basis of Presentation*

##### *Fund Financial Statements:*

##### Governmental Funds:

Art in Public Places Fund – established to encourage visual art in the community, by providing matching grants. The revenue is derived from a percentage of building permit fees. This is not a major fund.

Municipal Highway and Bridge Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement (SDCL 9-45-38). This is not a major fund.

PD Equitable Sharing Fund – amounts received through Pam’s Purple Door settlement, restricted for the use of the police department. This is not a major fund.

Fire Capital Fund – amounts received for contract fire services revenue, restricted for the purchase or replacement of fire and rescue services equipment. This is not a major fund.

SAFER Fund – amounts received for the Staffing for Adequate Fire Emergency Response (SAFER) grant are included in this fund. The amounts are restricted for firefighter salaries, benefits, and related expenditures. This is not a major fund.

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

Tax Increment District #1 Elkhorn Ridge Debt Fund – to account for property tax revenue received on the tax increment district to finance debt service and capital construction of a municipal golf course and related infrastructure improvement made within the tax increment district. This is not a major fund.

Tax Increment District #4 Creekside Estates Debt Fund – to account for property tax revenue received on the tax increment district to finance debt service and capital construction of street and infrastructure improvements made within the tax increment district. This is not a major fund.

Tax Increment District #6 Workforce Housing Fund – to account for property tax revenue received on the tax increment district, to finance debt service and capital construction of the development, design, and construction of workforce housing within the tax increment district. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs – that is for the benefit of the City and its citizenry.

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

##### Proprietary Funds:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

##### *Fund Financial Statements:*

##### Proprietary Funds:

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

Electric Production Fund – to account for the operation of the hydroelectric plant and related sales to Black Hills Power & Light (SDCL 9-39-1 and 9-39-26). This is a major fund.

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

Parking Fund – financed primarily by special assessments and fines in the parking district for use by the City. This is a major fund.

Solid Waste Fund – to account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6). This is a major fund.

Campground Fund – financed through revenues collected from the rental of campsites to account for expenditures on the City’s campground. This is a major fund.

Airport Fund – financed primarily by user charges and grants, this fund accounts for revenues and expenditures of the municipal airport and current grant activities. This is a major fund.

##### Internal Service Funds:

Internal Service Funds – Internal service 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. Internal service funds are never considered to be major funds. The Employee Health and Accident Insurance Fund is the only internal service fund maintained by the City.

Employee Health and Accident Insurance Fund – maintained for the purpose of employee health, dental, vision and accident insurance and related purposes.

##### ***Measurement Focus and Basis of Accounting***

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

##### *Measurement Focus:*

##### Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Measurement Focus and Basis of Accounting***

###### *Measurement Focus:*

###### Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus, and the modified-accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

###### *Basis of Accounting:*

###### Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the city, the length of that cycle is 60 days. The revenues which are accrued at December 31, 2022, are property taxes, sales taxes, special assessments, and amounts due from other governments.

Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

##### ***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:

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 on the internal services fund activity, certain “centralized expenses,” including an administrative overhead component, are charged as direct expenses to the 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 reduction occurs in the Internal Service Fund, so that expenses are only reported in the function to which they relate.

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(1) Summary of Significant Accounting Policies**

***Interfund Eliminations and Reclassifications***

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by non-spendable fund balance which indicates that they do not constitute available spendable resources since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered available spendable resources.

***Capital Assets***

Capital assets include land, buildings, machinery, and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and 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 the government-wide or fund financial statements.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the donation date. 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.

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -0-	----N/A----	----N/A----
Improvements Other Than Buildings	\$ 5,000	Straight-line	10-50 yrs.
Buildings	\$ 25,000	Straight-line	10-50 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	5-40 yrs.

Land is an inexhaustible capital asset and is not depreciated.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Capital Assets***

###### **Fund Financial Statements:**

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

##### ***Leases***

###### ***Lessor:***

The City is a lessor for a noncancellable lease of land, airport hangars, pasture land, facilities, and various towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

The City uses its estimated incremental borrowing rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

##### ***Long-Term Liabilities***

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, tax increment financing, compensated absences and OPEB liability.

In the governmental 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 for both the fund statements and the government-wide statements.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Program Revenues***

Program revenues are derived 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 and 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 and are restricted for the acquisition of capital assets for use in a particular program.

##### ***Proprietary Funds Revenue and Expense Classifications***

In the proprietary fund's Statement of Activities, 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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

##### ***Cash and Cash Equivalents***

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

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

##### ***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) laws 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.



## CITY OF SPEARFISH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### (1) Summary of Significant Accounting Policies

##### *Equity Classifications*

##### Fund Financial Statements:

The City classifies governmental fund balance as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The City has four Committed Fund Balances for the year ended December 31, 2022. The Second Penny Sales Tax Fund was established by the City Council passing Ordinance #961 for the purposes described in Note 1. The Spearfish Economic Revolving Fund was established by the City Council passing Ordinance #717 for the purposes described in Note 1. The Art in Public Places Fund was established by the City Council passing Ordinance #1015 for the purposes described in Note 1. The Workforce Housing Fund was established by the City Council passing Resolution 2020-03 for the purposes described in Note 1. The City Council is the highest decision-making authority and would have to pass an ordinance to remove these commitments.

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 City Council, Mayor, or Finance Officer. The City has two Assigned Fund Balances for the year ended December 31, 2022. The Historical Procurement Project Fund was established by the City Council passing Resolution 2010-24. The balance for this project is assigned within the General Fund. The Wildland Fire Fund was established by the City Council. The balance for this project is assigned within the General Fund.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

## CITY OF SPEARFISH

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

## (1) Summary of Significant Accounting Policies

*Equity Classifications*Fund Financial Statements:

As of December 31, 2022, the City had the following governmental fund classifications:

		General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund	Other Governmental Funds	Total Governmental Funds
263	<b>Nonspendable:</b>					
263	Inventory	\$ 1,773	\$ -	\$ -	\$ -	\$ 1,773
263	Advance to Other Funds	1,500,000	-	-	-	1,500,000
263.51	Perpetual Care Cemetery	-	-	-	50,000	50,000
		1,501,773	-	-	50,000	1,551,773
264	<b>Restricted:</b>					
264	Debt Service	-	-	-	768	768
264.03	Perpetual Care Cemetery	-	-	-	465,269	465,269
264.04	Promoting the City	-	-	-	919,690	919,690
264.05	Library Purposes	-	-	-	357,417	357,417
264.06	Park Purposes	-	-	-	234,385	234,385
264.07	911 Purposes	-	-	-	660,403	660,403
264.09	BID Purposes	-	-	-	66,716	66,716
264.99	Rifle Range Improvement Grant	8,649	-	-	-	8,649
264.99	Municipal Highway and Bridge	-	-	-	3,055,650	3,055,650
264.99	Special Assessments Revolving Loan	-	-	-	1,555	1,555
264.99	PD Equitable Sharing Fund	-	-	-	2,654	2,654
265	SAFER Fund	-	-	-	43,794	43,794
264.99	Fire Capital Fund	-	-	-	388,147	388,147
		8,649	-	-	6,196,448	6,205,097
265	<b>Committed</b>					
265.99	Second Penny	-	949	-	-	949
265.99	Workforce Housing	-	-	2,625,599	-	2,625,599
265.99	Spearfish Economic Revolving Fund	-	-	-	1,881,748	1,881,748
265.99	Art in Public Places Fund	-	-	-	73,641	73,641
		-	949	2,625,599	1,955,389	4,581,937
266	<b>Assigned</b>					
266.10	Wildland Fire	414,979	-	-	-	414,979
266.97	Historical Procurement Project	84,283	-	-	-	84,283
		499,262	-	-	-	499,262
267	<b>Unassigned</b>	20,494,657	-	-	-	20,494,657
<b>Total Fund Balances</b>		\$ 22,504,341	\$ 949	\$ 2,625,599	\$ 8,201,837	\$ 33,332,726

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Equity Classifications***

##### **Fund Financial Statements:**

With regard to the City's governmental funds, the City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide financial statements. The City does not have a formal minimum fund balance policy. With regard to the City's proprietary funds, 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 position are available.

##### ***Inventory***

Inventory consists of concessions inventory held for resale, which is recorded at the lower of cost or market, using the first-in, first-out method.

##### ***Receivables and Payables***

Receivables and payables are not aggregated in these financial statements. The city expects all receivables to be collected within one year. Appropriate allowances for estimated utility uncollectibles at December 31, 2022, total approximately \$4,000, \$3,000, and \$1,000 for the water, sewer, and solid waste funds, respectively. Included in utility accounts receivable at December 31, 2022, are unbilled accounts receivable totaling approximately \$63,000, \$109,000, and \$39,000 for the water, sewer, and solid waste funds, respectively.

##### ***Use of Estimates***

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.

##### ***Accounting Standard Adopted***

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The standard was implemented using the facts and circumstances that existed at the beginning of the period of implementation, or January 1, 2022. Implementation of the standard had no effect on beginning net position as deferred inflows were equal to the lease receivable for lessor transactions.

The City does not have significant lessee transactions.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(1) Summary of Significant Accounting Policies**

##### ***Emerging Accounting Standard***

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The statement is effective for the City's year ending December 31, 2024. The City is currently evaluating the impact this statement will have on the financial statements.

##### ***Subsequent Events***

The City has assessed subsequent events through September 5, 2023, the date which the financial statements were available to be issued.

#### **(2) Deposits and Investments**

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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation duly authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits City funds to be invested 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 city or deposited with any bank or trust account designated by the City as its fiscal agent.

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 SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(2) Deposits and Investments**

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

Investments	Credit Rating	Maturity	Fair Value
U.S. Government Securities			
US Treasury Notes	AAA	3-5 years	\$ 8,908,292
External Investment Pools:			
SDFIT	Unrated	N/A	3,075,417
Total Investments			11,983,709
Other Investments:			
Money Markets			67,540
			<b>\$ 12,051,249</b>

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. SDFIT, as well as the U.S. Government Securities, and money markets are measured as level 2 recurring fair value measurements according to the fair value hierarchy.

*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's investment in SDFIT pool was unrated.

*Custodial Credit Risk - Deposits:*

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

The actual bank balances at December 31, 2022 were as follows:

<u>Primary Government</u>	<u>Bank Balance</u>
Insured - FDIC	\$ 761,924
Uninsured, collateralized in accordance with SDCL 4-6A-3	38,204,065
<b>Total</b>	<b>\$ 38,965,989</b>

*Custodial Credit Risk – Investments:*

The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to limit custodial credit risk.

*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.

# **CITY OF SPEARFISH**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

### **(2) Deposits and Investments**

#### *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, except for the interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the City's cemetery, as required by SDCL 9-32-18.

#### *Concentration of Credit Risk:*

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

### **(3) Deferred Outflows and Inflows of Resources and Unearned Revenue**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows (inflows) of resources. Deferred outflows (inflows) of resources represent consumption (acquisition) of net position that apply to a future period or periods. These items will not be recognized as outflows (inflows) of resources until the applicable future period. Deferred outflows (inflows) of resources consist of pension and OPEB activity, leases, and federal grants.

In addition to liabilities, the Governmental Funds Balance Sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisition of net position that apply to a future period or periods. These items will not be recognized as inflows of resources until the applicable future period. Deferred inflows of resources consist of property taxes and leases in the governmental funds balance sheet. Unearned revenues are resources obtained prior to revenue recognition and consist of account credits at the recreation center and employee health insurance premiums collected in advance of the policy period by the internal service fund.

### **(4) Notes Receivable**

The following is a summary of the notes receivable at December 31, 2022:

Loan	Collateral	Rate	Maturity	Balance
Sawyer Brewing	Equipment Assets	5.00%	August 2023	\$ 16,334
Steele & Steele	Mortgage	2.00%	December 2023	6,550
Real Estate Center	Mortgage	2.00%	December 2023	5,871
SoDak Brewing	Business Assets	3.50%	December 2024	38,556
Atlas	Real Estate	2.00%	August 2052	1,050,000
<b>Total</b>				<b>\$ 1,117,311</b>

### **(5) Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and are payable in two installments before April 30 and October 31 of the following year. The county bills and collects the taxes and remits them to the City. 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 SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(6) Changes in Capital Assets**

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

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 14,289,264	\$ -	\$ 30,099	\$ 14,259,165
Construction Work in Progress	7,966,556	11,804,907	799,347	18,972,116
<b>Total Capital Assets, not being Depreciated</b>	<b>22,255,820</b>	<b>11,804,907</b>	<b>829,446</b>	<b>33,231,281</b>
Capital Assets, being Depreciated:				
Buildings	22,467,221	-	-	22,467,221
Improvements Other Than Buildings	50,225,349	2,511,318	-	52,736,667
Machinery and Equipment	11,558,536	2,920,102	100,301	14,378,337
<b>Total Capital Assets, being Depreciated</b>	<b>84,251,106</b>	<b>5,431,420</b>	<b>100,301</b>	<b>89,582,225</b>
Less Accumulated Depreciation for:				
Buildings	7,254,826	467,971	-	7,722,797
Improvements Other Than Buildings	19,327,969	2,074,785	-	21,402,754
Machinery and Equipment	8,573,814	539,539	100,301	9,013,052
<b>Total Accumulated Depreciation</b>	<b>35,156,609</b>	<b>3,082,295</b>	<b>100,301</b>	<b>38,138,603</b>
Total Governmental Activities Capital Assets, being Depreciated, Net	49,094,497	2,349,125	-	51,443,622
<b>Total Governmental Capital Assets, Net</b>	<b>\$ 71,350,317</b>	<b>\$ 14,154,032</b>	<b>\$ 829,446</b>	<b>\$ 84,674,903</b>

Depreciation expense was charged to functions as follows:

Culture and Recreation	\$ 690,884
Public Works	1,583,126
Public Safety	191,953
General Government	291,180
Intergovernmental	171,722
Economic Development	153,430
<b>Total Depreciation Expense - Governmental</b>	<b>\$ 3,082,295</b>

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(6) Changes in Capital Assets**

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 8,087,363	\$ -	\$ -	\$ 8,087,363
Construction Work in Progress	401,586	4,516,858	25,532	4,892,912
Total Capital Assets, not being Depreciated	8,488,949	4,516,858	25,532	12,980,275
Capital Assets, being Depreciated:				
Buildings	12,899,216	-	-	12,899,216
Improvements Other Than Buildings	67,455,977	2,478,956	-	69,934,933
Machinery and Equipment	8,715,911	441,608	127,543	9,029,976
Total Capital Assets, being Depreciated	89,071,104	2,920,564	127,543	91,864,125
Less Accumulated Depreciation for:				
Buildings	7,245,792	309,538	-	7,555,330
Improvements Other Than Buildings	24,063,354	2,630,323	-	26,693,677
Machinery and Equipment	7,055,944	292,497	127,543	7,220,898
Total Accumulated Depreciation	38,365,090	3,232,358	127,543	41,469,905
Total Business-Type Activities Capital Assets, being Depreciated, Net	50,706,014	(311,794)	-	50,394,220
Total Business-Type Capital Assets, Net	\$ 59,194,963	\$ 4,205,064	\$ 25,532	\$ 63,374,495

Depreciation expense was charged to functions for the year ended December 31, 2022 as follows:

Sewer	\$ 1,434,583
Water	948,007
Airport	646,440
Solid Waste	134,100
Campground	28,025
Electric Production	41,203
Total Depreciation Expense - Business-Type	\$ 3,232,358

As of December 31, 2022, the City has remaining commitments on the Sky Ridge Sports Complex, Colorado Boulevard Improvements, and Exit 17 Water Well and Tank projects. The Sky Ridge Sports Complex project has remaining commitments of approximately \$3.3 million. The project is funded through the Workforce Housing and Water funds. The Colorado Boulevard Improvements projects have remaining commitments of approximately \$4.15 million. The projects are funded through the Municipal Highway and Bridge and Sewer Funds. The Exit 17 Water Well and Tank project has remaining commitments of approximately \$9.6 million. The project is funded through the Water Fund.



**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(7) Long-Term Debt**

The following is a summary of the long-term debt activity for the year ending December 31, 2022:

	Balance 12/31/2021	Borrowings	Repayments	Balance 12/31/2022	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Sales Tax Refunding Bonds 2015	\$ 3,740,000	\$ -	\$ 520,000	\$ 3,220,000	\$ 535,000
Premium on Refunding Bonds	125,834	-	19,359	106,475	19,359
Sales Tax Revenue Bonds 2020	9,310,000	-	390,000	8,920,000	400,000
Premium on Revenue Bonds	321,885	-	17,094	304,791	17,094
Sales Tax Revenue Bonds 2022	-	7,385,000	295,000	7,090,000	265,000
Premium on Revenue Bonds	-	717,459	31,389	686,070	35,873
TID #1 Elkhorn Ridge	3,776,605	-	-	3,776,605	-
TID #4 Creekside	646,488	-	114,569	531,919	77,823
Accrued Interest - TID #1	9,384,102	1,217,365	517,736	10,083,731	517,736
Compensated Absences	724,192	350,085	321,477	752,800	752,800
<b>Total Governmental Activities</b>	<b>28,029,106</b>	<b>9,669,909</b>	<b>2,226,624</b>	<b>35,472,391</b>	<b>2,620,685</b>
<b>Business-Type Activities:</b>					
Water SRF Loan	1,138,606	-	341,540	797,066	349,289
Wastewater Revenue Bond 2020	2,861,857	-	308,540	2,553,317	315,677
Compensated Absences	116,951	86,907	73,462	130,396	130,396
<b>Total Business-Type Activities</b>	<b>4,117,414</b>	<b>86,907</b>	<b>723,542</b>	<b>3,480,779</b>	<b>795,362</b>
<b>Total Primary Government</b>	<b>\$ 32,146,520</b>	<b>\$ 9,756,816</b>	<b>\$ 2,950,166</b>	<b>\$ 38,953,170</b>	<b>\$ 3,416,047</b>

**Tax Increment Districts (TID) Obligations**

Tax increment financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. In some instances, the City pledges future tax revenues generated by the tax increment district to acquire public improvement within the established Tax Increment District which was constructed by a private developer.

It is a specific condition of the developer's agreement and a condition of the City's obligation that all sums payable shall be limited to the proceeds of the positive tax increment. It is also specifically agreed that the City has made no representation that the proceeds from such fund shall be sufficient to retire the indebtedness incurred by the developer to construct the public improvements.

During the year ended December 31, 2022, property tax revenues were \$509,898 and \$145,548 for TIDs #1 and #4, respectively. Interest expenditures, excluding corresponding accruals, related to TID obligations totaled \$548,716 for the year ended December 31, 2022.

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(7) Long-Term Debt**

Debt Covenants

The City has pledged future revenue associated with the 2015 Sales Tax Refunding Bonds, 2020 Sales Tax Revenue Bonds, 2022 Sales Tax Revenue Bonds, Wastewater Revenue Bonds and Drinking Water Revenue Borrower Bonds. The debt is secured by pledged revenues, capital projects and improvements. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Pledged revenues associated with the debt issue have been pledged through the maturity date listed below.

Below is a comparison of principal and interest payments and total pledged revenue for the current year.

	Water	Sewer	Sales Tax Bonds
Current Year Principal and Interest	\$ 363,330	\$ 371,120	\$ 1,756,250
Pledged Revenue	3,359,071	4,274,793	12,525,615

Additionally, the City's Drinking Water and Clean Water Revenue Bonds have a covenant requiring the City to keep net water revenue available for debt service at 110 percent of debt service expenses each year. The City's 2020 Sales Tax Revenue Bond has a covenant requiring the prior fiscal year's revenue exceeds 125 percent of debt service expenditures each year.

Long-term debt at December 31, 2022, is comprised of the following:

*Revenue Bonds*

Series 2015 Sales Tax Refunding Bonds for \$6,895,000, matures in June 2028, interest at 0.60 to 4.00 percent, due in semi-annual installments from \$250,000 to \$320,000. Financed through Second Penny Sales Tax Fund. \$ 3,220,000

Unamortized deferred premium on Series 2015 Sales Tax Refunding Bonds	106,475
Total Series 2015 Sales Tax Refunding Bonds	3,326,475

Series 2020 Sales Tax Revenue Bonds for \$9,655,000, matures in December 2040, interest at 2.00 to 3.00 percent, due in semi-annual installments from \$345,000 to \$590,000. Financed through Workforce Housing Fund. 8,920,000

Unamortized deferred premium on Series 2020 Sales Tax Revenue Bonds	304,791
Total Series 2020 Sales Tax Revenue Bonds	9,224,791

Series 2022 Sales Tax Revenue Bonds for \$7,385,000, matures in December 2041, interest at 3.00 to 4.00 percent, due in semi-annual installments from \$265,000 to \$485,000. Financed through the Second Penny Sales Tax Fund. 7,090,000

Unamortized deferred premium on Series 2022 Sales Tax Revenue Bonds	686,070
Total Series 2022 Sales Tax Revenue Bonds	7,776,070

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**(7) Long-Term Debt**

Drinking Water Revenue Borrower Bonds, Series 2013 for \$3,254,000, mature in February 2025, interest at 2.25 percent, due in quarterly installments of \$91,072. Water revenues pledged and financed through the Water Fund for the Golliher Water Tank construction. 797,066

Wastewater Revenue Bonds, Series 2020 for \$3,260,421, mature in April 2030, interest at 2.30 percent, due in quarterly installments of \$186,299. Sewer pledged and financed through the Sewer Fund for the Wastewater Treatment Plant. 2,553,317

*Tax Increment Financing Obligations*

TID #1 Elkhorn Ridge, including interest at 9.25 percent, matures in 2030, due in semi-annual installments within 30 days of property tax collection from the county. Financed through the TID #1 Elkhorn Ridge Debt Service Fund. 3,776,605

TID #4 Creekside, including interest at 5.25 percent, matures in 2025, due in semi-annual installments within 30 days of property tax collection from the county. Financed through the TID #4 Creekside Estates Debt Fund. 531,919

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Total Revenue Bonds and Other Obligations 27,986,243

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*Compensated Absences*

General Fund 752,800

Water Fund 37,505

Electric Fund 3,854

Sewer Fund 74,950

Solid Waste Fund 6,929

Campground Fund 7,158

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Total Compensated Absences 883,196

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Accrued Interest (TID #1) 10,083,731

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**Total Long-Term Debt \$ 38,953,170**

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**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(7) Long-Term Debt**

The annual requirements to amortize long-term debt outstanding as of December 31, 2022, except for compensated absences and TID #1 accrued interest are as follows:

	Revenue Bonds		TID Obligations *		Total	
	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 622,550	\$ 1,937,292	\$ 544,654	\$ 77,823	\$ 1,167,204	\$ 2,015,115
2024	563,122	1,997,520	540,515	81,963	1,103,637	2,079,483
2025	503,085	1,800,917	536,155	86,322	1,039,240	1,887,239
2026	452,544	1,745,421	531,564	3,867,519	984,108	5,612,940
2027	384,648	1,803,242	8,021,777	95,749	8,406,425	1,898,991
2028-2032	1,376,919	5,654,717	3,899	99,148	1,380,818	5,753,865
2033-2037	806,325	4,959,836	-	-	806,325	4,959,836
2038-2042	214,070	3,778,774	-	-	214,070	3,778,774
Total	\$ 4,923,263	\$ 23,677,719	\$ 10,178,564	\$ 4,308,524	\$ 15,101,827	\$ 27,986,243

\*TID obligation maturities are based on projected future property tax increments. Actual repayments will vary dependent on property tax increments received.

**(8) Leases**

*Lessor:*

The City's leasing operations consist of leasing land, airport hangars, and water and cell phone towers. A summary of leases by asset class are as follows:

Lease Asset	Lease Receivable December 31, 2022	Lease Revenue	Lease Interest Revenue
Airport Hangars	\$ 244,924	\$ 8,302	\$ 4,777
Land	50,671	24,754	1,308
Towers	1,022,265	26,104	20,694
	<b>\$ 1,317,860</b>	<b>\$ 59,160</b>	<b>\$ 26,779</b>

Future payments due to the City under non-cancelable long-term lease agreements are as follows for the years ending December 31:

	Principal	Interest
2023	\$ 54,392	\$ 25,922
2024	55,179	24,797
2025	29,645	23,886
2026	30,035	23,305
2027	33,745	22,670
2028-2032	240,600	100,753
2033-2037	409,051	69,059
2038-2042	307,365	26,127
2043-2047	92,250	10,501
2048-2052	48,673	3,968
2053-2057	16,925	1,185
Total	<b>\$ 1,317,860</b>	<b>\$ 332,173</b>

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(9) Interfund Transfers and Advances**

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

	Transfers In	Transfers Out
General Fund	\$ 343,947	\$ 1,342,901
Second Penny Sales Tax Fund	1,459,102	50,000
Workforce Housing Project Fund	290,250	569,311
Water Fund	569,311	102,815
Electric Production Fund	68,000	253,357
Sewer Fund	-	646,671
Airport Fund	812,423	21,629
Solid Waste Fund	-	14,195
Campground Fund	-	8,148
Parking Fund	-	132
Hospitality Tax Fund	-	305,250
911 Emergency Fund	529,478	-
Fire Capital Fund	50,000	-
Special Assessments Revolving Fund	-	808,102
<b>Total Transfers</b>	<b>\$ 4,122,511</b>	<b>\$ 4,122,511</b>

Interfund transfers are generally made to cover operations of the City, equipment purchases, or TID taxes.

Interfund advances to and from balances at December 31, 2022, were as follows:

	Interfund Advance From	Interfund Advance To
General Fund	\$ 1,500,000	\$ -
Workforce Housing Fund - TIF #6	-	1,500,000
<b>Total Interfund Advances</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>

In 2020, the General Fund advanced \$1,500,000 to the Workforce Housing Fund – TIF #6 for the purchase of land to be used for the TID #6 housing development. The advance includes interest at 3.50 percent per year until paid in full. Principal and interest is due on or before December 31, 2041.

## CITY OF SPEARFISH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### (10) Pension Plan

All employees, working more than 20 hours per week during the year, participate in the SDRS, a cost sharing, multiple employer 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 survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

#### Benefits Provided:

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

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

Members that were hired on/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 Cost-of-Living Adjustment (COLA) process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is 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, 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.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by COLA.

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(10) Pension Plan**

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent 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 fiscal years ended December 31, 2022, 2021, and 2020 were **\$443,643**, \$417,875, and \$386,468, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.1 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of June 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 35,528,286	\$ 6,406,506	\$ <b>41,934,792</b>
Less: Proportionate Share of Total Pension Liability	(35,504,517)	(6,402,221)	<b>(41,906,738)</b>
Proportionate Share of Net Pension Asset	\$ <b>23,769</b>	\$ <b>4,285</b>	\$ <b>28,054</b>

At December 31, 2022, the City reported an asset of \$28,054 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 0.2968610 percent, which is a decrease of .0160360 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized pension revenue of \$257,997. At December 31, 2022, the City reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 534,052	\$ 1,822
Changes in Assumption	1,783,104	1,562,653
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	67,234
City Contributions Subsequent to the Measurement Date	228,076	-
<b>Total</b>	<b>\$ 2,545,232</b>	<b>\$ 1,631,709</b>

Deferred outflow of resources includes \$228,076 resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(10) Pension Plan**

2023	\$	184,345
2024		389,618
2025		(444,344)
2026		555,828
	\$	<u>685,447</u>

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 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Investment Rate of Return	6.50 percent, net of pension plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10 percent

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. 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:



**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(10) Pension Plan**

Actuarial Assumptions:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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%
	<u>100.0%</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 employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on 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 Asset to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension liability/(asset) calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.50 percent) or 1-percentage point higher (7.50 percent) 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)/			
Liability	\$ 5,825,410	\$ (28,054)	\$ (4,811,883)

Pension Plan Fiduciary Net Position:

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

**(11) Other Post-Employment Benefits – Healthcare Plan**

Plan Description:

The Retiree Benefit Plan is a single-employer defined benefit healthcare plan administered by the City. The Retiree Benefit Plan provides medical, prescription drug, dental and vision insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the City Council. The health plan does not issue separately stated standalone financial statements.

Benefits Provided:

The contribution requirements of plan members and the City are established and may be amended by the City Council. An employee who retires from the City that is eligible for SDRS Retirement and has at least 10 years of consecutive service with the City, may be eligible for retiree health, dental and vision coverage.

Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single, two-person or family coverage.

## CITY OF SPEARFISH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### (11) Other Post-Employment Benefits – Healthcare Plan

##### Benefits Provided:

###### Unreduced Benefits – Class A

###### Earlier of:

- Age 65 with three years of service
- Any age as early as age 55 when age plus years of service equal or exceed 85

###### Reduced Benefits – Class A

- Age 55 and three years of service

###### Unreduced Benefits – Class B

###### Earlier of:

- Age 55 with three years of service
- Any age as early as age 45 when age plus years of service equal or exceed 75

###### Reduced Benefits – Class B

- Age 45 and three years of service

##### Plan Membership:

Membership of the plan consisted of the following at December 31, 2022, the date of the last actuarial valuation:

Inactive members currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	102
<b>Total</b>	<b>105</b>

The City's total OPEB liability of \$239,892 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

##### Actuarial Assumptions:

The Entry Age Normal Level Percentage of Pay Actuarial Cost Method was used to determine the total OPEB liability.

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent per year
Salary Increases	3.00 percent per year
Healthcare Cost Trend Rates	5.50 percent

Mortality rates were based on the RP-2014 Mortality Table, adjusted to 2006, projected generationally with Scale MP-2021.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2022 to December 31, 2022.

##### Asset Valuation Method:

The City's obligation is unfunded at December 31, 2022. There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(11) Other Post-Employment Benefits – Healthcare Plan**

Discount Rate:

The discount rate used to measure the total OPEB liability was 3.72 percent. 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.

Sensitivity of Liability to Changes in the Discount Rate:

The following represents the City's liability calculated using the discount rate of 3.72 percent, as well as what the City's liability would be if it were calculated using a discount rate that is one percentage point lower (2.72 percent) or one percentage point higher (4.72 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 263,418	\$ 239,892	\$ 219,341

Sensitivity of Liability to Changes in the Healthcare Cost Trend Rate

The following represents the City's liability calculated using the healthcare cost trend rate of 5.00 percent, as well as what the City's liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00 percent) or one percentage point higher (6.00 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 213,637	\$ 239,892	\$ 271,272

Annual OPEB Cost and Changes in OPEB Liability:

The following table shows the financial components of the plan:

Service Cost	\$ 24,927
Interest	7,105
Difference between Expected and Actual	(47,728)
Changes of Assumptions	(44,508)
Benefit Payments	(20,224)
Change in Net OPEB Obligation (Expense)	(80,428)
OPEB Liability - Beginning of Year	320,320
<b>OPEB Liability - End of Year</b>	<b>\$ 239,892</b>

Deferred Outflows and Inflows of Resources Related to OPEB:

For the year ended December 31, 2022, the City recognized OPEB revenue of \$19,352. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 22,767	\$ (42,860)
Changes in Assumption	50,600	(39,966)
Net Difference between Projected and Actual Earnings	-	-
City Contributions Subsequent to the Measurement Date	-	-
<b>Total</b>	<b>\$ 73,367</b>	<b>\$ (82,826)</b>

**CITY OF SPEARFISH**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**(11) Other Post-Employment Benefits – Healthcare Plan**

Deferred Outflows and Inflows of Resources Related to OPEB:

Deferred outflows of resources includes losses amortized over future years, due to economic and demographic changes in the OPEB liability due to changes in assumptions. These are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members. The amortization period for the January 1, 2022 to December 31, 2022 measurement period was determined as follows:

2023	\$	5,452
2024		5,452
2025		5,452
2026		5,452
2027		(1,077)
Thereafter		(30,190)
	\$	<u><u>(9,459)</u></u>

**(12) Joint Venture**

The City previously participated in a joint venture, known as the Northern Hills Multi-Jurisdictional Drug Task Force, formed for the purpose of implementing and improving state and local drug law enforcement. The task force is no longer active, and the city is in the process of withdrawing their participation.

The members of the joint venture, each with 10 percent participation, are as follows:

Butte County	Newell City
Lawrence County	Deadwood City
Meade County	Belle Fourche City
Spearfish City	Lead City
Sturgis City	Whitewood City

The joint venture's governing board is composed of 10 representatives, who are the sheriffs from each county and the police chief for each municipality. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. The City retains no equity in the net position of the joint venture but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Lawrence County Sheriff's Office.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(13) 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 purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during 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 a claims-made policy and premiums are accrued 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, vehicle coverage, wrongful acts, and errors and omissions of public officials.

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.

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

##### Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The City has not reserved equity for the payment of future unemployment benefits.

During the year ended December 31, 2022, no significant claims were filed for unemployment benefits.

## **CITY OF SPEARFISH**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **(13) Risk Management**

##### Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (the 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 member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and resolve any worker's compensation claims. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees, under a retro-actively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to 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 in the past three years.

#### **(14) Convention Center**

In 1997, the City issued Series 1997 bonds for the construction of a convention center on the City's land. In December 1997, the City entered into an agreement (at a cost of \$1) with the owners of the hotel adjoining the convention center, whereby the hotel is to manage the convention center in return for the convention center's profits. The term of the lease is 20 years, with the option to renew for another 10 years. The City receives additional sales tax revenue and assessments from business districts.

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF SPEARFISH

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - BUDGETARY BASIS (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual - Budgetary Basis</b>	<b>Variance</b>
<b>Revenue</b>					
<i>Taxes:</i>					
311	General Property Taxes	\$ 2,643,400	\$ 2,643,400	\$ 2,757,647	\$ 114,247
313	General Sales and Use Taxes	9,400,000	9,400,000	11,659,607	2,259,607
314	Gross Receipts Tax	120,000	120,000	125,300	5,300
319	Penalties and Interest on Delinquent Taxes	3,000	3,000	2,867	(133)
320	Licenses and Permits	556,000	556,000	756,832	200,832
<i>Intergovernmental Revenue:</i>					
331	Federal Grants	50,000	50,000	1,289	(48,711)
334	State Grants	-	-	91,369	91,369
<i>State Shared Revenue:</i>					
335.01	Bank Franchise Tax	20,000	20,000		
335.03	Liquor Tax Reversion	68,000	68,000	85,439	17,439
335.04	Motor Vehicle Licenses (5%)	100,000	100,000	132,798	32,798
335.06	Fire Insurance Premium Reversion	55,000	55,000	64,750	9,750
335.20	Other	80,000	80,000	235,541	155,541
<i>County Shared Revenue:</i>					
338	County Fire	-	-		
339	County Payments in Lieu of Taxes	161,295	161,295	207,379	46,084
338.02	Country HBR Tax	-	-		
<i>Charges for Goods and Services:</i>					
341	General Government	1,647,500	1,647,500	1,704,820	57,320
342	Public Safety	235,766	430,766	424,609	(6,157)
343	Highways and Streets	5,000	5,000	400	(4,600)
346	Culture and Recreation	816,850	816,850	956,754	139,904
348	Cemetery	10,630	10,630	27,073	16,443
349	Other	12,000	12,000		
<i>Fines and Forfeits:</i>					
351	Court Fines and Costs	1,500	1,500	107	(1,393)
352	Animal Control Fines	4,500	4,500		
359	Other	-	-	2,220	2,220
<i>Miscellaneous Revenue:</i>					
361	Earnings (Loss) on Deposits and Investments	66,500	66,500	111,257	44,757
362	Rentals	135,250	135,250	172,420	37,170
363	Special Assessments	118,150	118,150	124,896	6,746
367	Contributions and Donations - Private Sources	20,000	20,000	85,467	65,467
369	Other	2,000	2,000	-	(2,000)
<b>Total Revenue</b>		<b>16,332,341</b>	<b>16,527,341</b>	<b>19,730,841</b>	<b>3,240,000</b>



**CITY OF SPEARFISH**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - BUDGETARY BASIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual - Budgetary Basis</b>	<b>Variance</b>
<b>Expenditures</b>				
<i>General Government:</i>				
411 Legislative	180,382	180,382	150,394	29,988
411.5 Contingency	502,114	502,114	-	502,114
Amount Transferred	-	(401,819)	-	(401,819)
412 Executive	275,954	275,954	275,503	451
414 Financial Administration	855,149	871,024	808,482	62,542
419 Other	1,571,153	1,653,153	1,471,698	181,455
<i>Public Safety:</i>				
421 Police	2,704,594	2,704,594	2,347,758	356,836
422 Fire	766,608	1,776,108	1,667,064	109,044
423 Protective Inspection	302,443	341,943	318,236	23,707
<i>Public Works:</i>				
431 Highways and Streets	3,388,436	3,388,436	2,386,282	1,002,154
437 Cemeteries	121,981	121,981	117,572	4,409
<i>Health and Welfare:</i>				
441 Health	80,060	81,560	74,715	6,845
<i>Culture and Recreation:</i>				
451 Recreation	1,832,768	1,990,268	1,910,724	79,544
452 Parks	1,018,319	1,102,118	1,013,670	88,448
455 Library	495,584	520,584	475,118	45,466
<i>Conservation and Development:</i>				
463 Urban Redevelopment and Housing	13,625	613,625	11,182	602,443
465 Economic Development and Assistance	228,991	260,241	234,959	25,282
480 Intergovernmental Expenditures	1,181,226	1,316,226	1,256,076	60,150
<b>Total Expenditures</b>	<b>15,519,387</b>	<b>17,298,492</b>	<b>14,519,433</b>	<b>2,779,059</b>
<b>Excess (Deficiency) of Revenue over (under)</b>				
<b>Expenditures</b>	<b>812,954</b>	<b>(771,151)</b>	<b>5,211,408</b>	<b>5,982,559</b>
<b>Other Financing Sources (Uses):</b>				
391.01 Transfers In	318,947	343,947	343,947	-
391.03 Sale of Municipal Property	40,000	40,000	5,670	(34,330)
391.04 Compensation for Loss or Damaged Capital Assets	-	43,550	43,610	60
511 Transfers Out	(1,166,901)	(1,342,901)	(1,342,901)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(807,954)</b>	<b>(915,404)</b>	<b>(949,674)</b>	<b>(34,270)</b>
<b>Net Change in Fund Balance</b>	<b>5,000</b>	<b>(1,686,555)</b>	<b>4,261,734</b>	<b>5,948,289</b>
Fund Balance - December 31, 2021	18,242,607	18,242,607	18,242,607	-
<b>Fund Balance - December 31, 2022</b>	<b>\$ 18,247,607</b>	<b>\$ 16,556,052</b>	<b>\$ 22,504,341</b>	<b>\$ 5,948,289</b>

The accompanying notes to required supplementary information are an integral part of this statement.

## CITY OF SPEARFISH

**BUDGETARY COMPARISON SCHEDULE**  
**SECOND PENNY SALES TAX FUND - BUDGETARY BASIS (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
<b>Revenue</b>				
<i>Intergovernmental Revenue:</i>				
331 Federal Grants	\$ 594,000	\$ 594,000	\$ -	\$ (594,000)
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	-	-	2,223	2,223
367 Contributions and Donations - Private Sources	-	-	5,000	5,000
<b>Total Revenue</b>	<b>594,000</b>	<b>594,000</b>	<b>7,223</b>	<b>(586,777)</b>
<b>Expenditures</b>				
<i>Public Safety:</i>				
421 Police	-	401,500	400,209	1,291
<i>Public Works:</i>				
431 Highways and Streets	-	35,272	35,118	154
<i>Health and Welfare:</i>				
441.1 Health	25,000	25,000	25,000	-
<i>Culture and Recreation:</i>				
452 Parks	1,680,000	1,680,000	190,247	1,489,753
<i>Conservation and Development:</i>				
463 Urban Redevelopment and Housing	30,000	30,131	30,131	-
470 Debt Service	654,883	654,883	654,883	-
480 Intergovernmental Expenditure	-	164,000	163,844	156
<b>Total Expenditures</b>	<b>2,389,883</b>	<b>2,990,786</b>	<b>1,499,432</b>	<b>1,491,354</b>
<b>Excess (Deficiency) of Revenue over (under)</b>				
<b>Expenditures</b>	<b>(1,795,883)</b>	<b>(2,396,786)</b>	<b>(1,492,209)</b>	<b>(904,577)</b>
<b>Other Financing Sources (Uses):</b>				
391.01 Transfers In	500,000	1,100,903	1,459,102	(358,199)
511 Transfers Out	(50,000)	(50,000)	(50,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>450,000</b>	<b>1,050,903</b>	<b>1,409,102</b>	<b>(358,199)</b>
<b>Net Change in Fund Balance</b>	<b>(1,345,883)</b>	<b>(1,345,883)</b>	<b>(83,107)</b>	<b>(1,262,776)</b>
Fund Balance - December 31, 2021	84,056	84,056	84,056	-
<b>Fund Balance - December 31, 2022</b>	<b>\$ (1,261,827)</b>	<b>\$ (1,261,827)</b>	<b>\$ 949</b>	<b>\$ (1,262,776)</b>

The accompanying notes to required supplementary information are an integral part of this statement.

**CITY OF SPEARFISH**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION  
(ASSET) LIABILITY (UNAUDITED)  
DECEMBER 31, 2022**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
City's Proportion of the Net Pension (Asset) Liability	0.29686100%	0.28082500%	0.28594510%	0.28270080%
City's Proportionate Share of Net Pension (Asset) Liability	\$ (28,054)	\$ (2,150,640)	\$ (12,419)	\$ (29,959)
City's Covered Payroll (Plan's Fiscal Year)	\$ 7,711,860	\$ 6,389,405	\$ 5,733,558	\$ 5,510,009
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	0.36%	33.66%	0.22%	0.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	100.10%	105.52%	100.04%	100.09%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's Proportion of the Net Pension (Asset) Liability	0.28066060%	0.27449710%	0.28261130%	0.28167480%
City's Proportionate Share of Net Pension (Asset) Liability	\$ (6,545)	\$ (24,911)	\$ 954,633	\$ (1,194,663)
City's Covered Payroll (Plan's Fiscal Year)	\$ 5,355,633	\$ 5,126,516	\$ 4,973,127	\$ 4,754,528
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	0.12%	0.49%	19.20%	25.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	100.02%	100.10%	96.89%	104.10%

**CITY OF SPEARFISH**

**SCHEDULE OF THE CITY CONTRIBUTIONS (UNAUDITED)  
DECEMBER 31, 2022**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually Required Contribution	\$ 443,643	\$ 417,875	\$ 386,468	\$ 362,661
Contributions in Relation to the Contractually Required Contributions	443,643	417,875	386,468	362,661
Contributions Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 7,800,829	\$ 7,163,090	\$ 5,892,743	\$ 5,531,139
Contribution as a Percentage of Covered Payroll	5.69%	5.83%	6.56%	6.56%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 358,320	\$ 338,397	\$ 331,356	\$ 312,615
Contributions in Relation to the Contractually Required Contributions	358,320	338,397	331,356	312,615
Contributions Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,479,568	\$ 5,168,469	\$ 5,091,419	\$ 4,823,341
Contribution as a Percentage of Covered Payroll	6.54%	6.55%	6.51%	6.48%

**CITY OF SPEARFISH**

**SCHEDULE OF THE CITY OPEB LIABILITY (UNAUDITED)  
DECEMBER 31, 2022**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
OPEB Liability	\$ 239,892	320,320	\$ 312,625	\$ 276,977	\$ 262,961
City's Covered Payroll	\$ 6,564,530	\$ 5,718,151	\$ 5,551,603	\$ 5,531,139	\$ 5,315,232
OPEB Liability as a Percentage of Covered Payroll	3.65%	5.60%	5.63%	5.01%	4.95%
Service Cost	\$ 24,927	24,201	\$ 12,466	\$ 12,103	\$ 7,360
Interest	7,105	6,889	11,342	11,307	6,814
Adjustment to Beginning Balance	-	-	-	-	(11,740)
Difference between Expected and Actual	(47,728)	-	845	5,044	42,367
Changes of Assumptions	(44,508)	-	36,619	5,842	49,057
Benefit Payments	(20,224)	(23,395)	(25,624)	(20,250)	(11,394)
Change in Net OPEB Obligation	(80,428)	7,695	35,648	14,046	82,464
OPEB Liability - Beginning of Year	320,320	312,625	276,977	262,931	180,473
<b>OPEB Liability - End of Year</b>	<b>\$ 239,892</b>	<b>\$ 320,320</b>	<b>\$ 312,625</b>	<b>\$ 276,977</b>	<b>\$ 262,937</b>

## **CITY OF SPEARFISH**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING PROGRESS (OPEB) DECEMBER 31, 2022**

#### **Notes to Required Supplementary Information**

##### **(1) Budgets and Budgetary Accounting**

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

1. At the first regular board meeting in September of each year, or within 10 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 disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in item number four.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
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. The City did not encumber any amounts at December 31, 2022.
7. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, and debt service funds.
8. The financial statements prepared in conformity with US GAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

##### **(2) Schedule of the 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.

**CITY OF SPEARFISH**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING  
PROGRESS (OPEB)  
DECEMBER 31, 2022**

**Notes to Required Supplementary Information**

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

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%.

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.

**CITY OF SPEARFISH**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING  
PROGRESS (OPEB)  
DECEMBER 31, 2022**

**Notes to Required Supplementary Information**

**(3) Schedule of the City OPEB Liability**

This schedule will present 10 years as information becomes available.

*Valuation Date:* Actuarially determined contribution rates are calculated as of December 31, 2022.

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial cost method: Entry age

Amortization method: Normal Level Percentage of Pay

Remaining Amortization Period: 9.8 years

Asset Valuation Method: Unfunded

Inflation: 3.00 percent

Healthcare cost trend rates: Year 1+ – 5.50 percent

Salary Increases: 3.0 percent per year

Investment rate of return: Plan is unfunded. Inflation rate is 3.0 percent

Retirement Age: In the 2022 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience.

Mortality: RP2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.



#### OTHER SUPPLEMENTARY INFORMATION

## CITY OF SPEARFISH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2022

		Hospitality Tax Fund	Library Gift Fund	Convention Center Fund
<b>Assets</b>				
101	Cash and Cash Equivalents	\$ 401,126	\$ 363,473	\$ 57,442
104	Investments	524,298	-	-
110	Sales Taxes Receivable	1,900	-	-
115	Accounts Receivable	-	-	400
121	Special Assessments Receivable	-	-	8,874
128	Notes Receivable	-	-	-
132	Due from Other Governments	-	-	-
<b>Total Assets</b>		<b>\$ 927,324</b>	<b>\$ 363,473</b>	<b>\$ 66,716</b>

**Liabilities, Deferred Inflows of Resources  
 and Fund Balances**

*Liabilities*

202	Accounts Payable	\$ 7,634	\$ 6,056	\$ -
216	Accrued Wages Payable	-	-	-
219	Amounts Held for Others	-	-	-
<b>Total Liabilities</b>		<b>7,634</b>	<b>6,056</b>	<b>-</b>

*Fund Balances**263 Nonspendable:*

263.51	Perpetual Care Cemetery	-	-	-
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*264 Restricted:*

264.01	Debt Service	-	-	-
264.03	Perpetual Care Cemetery	-	-	-
264.04	Promoting the City	919,690	-	-
264.05	Library Purposes	-	357,417	-
264.06	Park Purposes	-	-	-
264.07	911 Purposes	-	-	-
264.08	Fire Capital Fund	-	-	-
264.09	Business Improvement District Purposes	-	-	66,716
264.10	Municipal Highway and Bridge	-	-	-
264.11	SAFER Fund	-	-	-
264.99	Special Assessments Revolving Loan Fund	-	-	-
264.99	PD Equitable Sharing Fund	-	-	-

*265 Committed:*

265.99	Spearfish Economic Revolving Fund	-	-	-
265.99	Art in Public Places Fund	-	-	-

<b>Total Fund Balances</b>		<b>919,690</b>	<b>357,417</b>	<b>66,716</b>
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**Total Liabilities, Deferred Inflows of Resources  
 and Fund Balances**

<b>\$ 927,324</b>	<b>\$ 363,473</b>	<b>\$ 66,716</b>
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911 Emergency Fund	Special Assessments Revolving Fund	Spearfish Economic Revolving Fund	Special Park Gift Fund	Art in Public Places Fund
\$ 647,998	\$ 1,005	\$ 760,347	\$ 26,329	\$ 73,641
-	-	-	223,056	-
-	-	-	-	-
-	550	4,090	-	-
-	-	-	-	-
-	-	1,117,311	-	-
21,967	-	-	-	-
<b>\$ 669,965</b>	<b>\$ 1,555</b>	<b>\$ 1,881,748</b>	<b>\$ 249,385</b>	<b>\$ 73,641</b>

\$ -	\$ -	\$ -	\$ -	\$ -
9,562	-	-	-	-
-	-	-	15,000	-
9,562	-	-	15,000	-

-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
660,403	-	-	234,385	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,555	-	-	-
-	-	-	-	-
-	-	1,881,748	-	-
-	-	-	-	73,641
660,403	1,555	1,881,748	234,385	73,641
<b>\$ 669,965</b>	<b>\$ 1,555</b>	<b>\$ 1,881,748</b>	<b>\$ 249,385</b>	<b>\$ 73,641</b>

**CITY OF SPEARFISH**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

		<b>Municipal Highway and Bridge Fund</b>	<b>PD Equitable Sharing Fund</b>	<b>Fire Capital Fund</b>
<b>Assets</b>				
101	Cash and Cash Equivalents	\$ 2,180,431	\$ 2,654	\$ 388,147
104	Investments	1,040,807	-	-
110	Sales Taxes Receivable	-	-	-
115	Accounts Receivable	-	-	-
121	Special Assessments Receivable	-	-	-
128	Notes Receivable	-	-	-
132	Due from Other Governments	-	-	-
<b>Total Assets</b>		<b>\$ 3,221,238</b>	<b>\$ 2,654</b>	<b>\$ 388,147</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<i>Liabilities</i>				
202	Accounts Payable	\$ 165,588	\$ -	\$ -
216	Accrued Wages Payable	-	-	-
219	Amounts Held for Others	-	-	-
<b>Total Liabilities</b>		<b>165,588</b>	<b>-</b>	<b>-</b>
<i>Fund Balances</i>				
263 <i>Nonspendable:</i>				
263.51	Perpetual Care Cemetery	-	-	-
264 <i>Restricted:</i>				
264.01	Debt Service	-	-	-
264.03	Perpetual Care Cemetery	-	-	-
264.04	Promoting the City	-	-	-
264.05	Library Purposes	-	-	-
264.06	Park Purposes	-	-	-
264.07	911 Purposes	-	-	-
264.08	Fire Capital Fund	-	-	388,147
264.09	Business Improvement District Purposes	-	-	-
264.10	Municipal Highway and Bridge	3,055,650	-	-
264.11	SAFER Fund	-	-	-
264.99	Special Assessments Revolving Loan Fund	-	-	-
264.99	PD Equitable Sharing Fund	-	2,654	-
265 <i>Committed:</i>				
265.99	Spearfish Economic Revolving Fund	-	-	-
265.99	Art in Public Places Fund	-	-	-
<b>Total Fund Balances</b>		<b>3,055,650</b>	<b>2,654</b>	<b>388,147</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>		<b>\$ 3,221,238</b>	<b>\$ 2,654</b>	<b>\$ 388,147</b>

<b>SAFER Fund</b>	<b>TID #1 Elkhorn Ridge Debt Fund</b>	<b>TID #4 Creekside Estates Debt Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total</b>
\$ 14,210	\$ 738	\$ 30	\$ 15,269	\$ 4,932,840
-	-	-	500,000	2,288,161
-	-	-	-	1,900
-	-	-	-	5,040
-	-	-	-	8,874
-	-	-	-	1,117,311
31,286	-	-	-	53,253
<b>\$ 45,496</b>	<b>\$ 738</b>	<b>\$ 30</b>	<b>\$ 515,269</b>	<b>\$ 8,407,379</b>

\$ 248	\$ -	\$ -	\$ -	\$ 179,526
1,454	-	-	-	11,016
-	-	-	-	15,000
1,702	-	-	-	205,542

-	-	-	50,000	50,000
-	738	30	-	768
-	-	-	465,269	465,269
-	-	-	-	919,690
-	-	-	-	357,417
-	-	-	-	234,385
-	-	-	-	660,403
-	-	-	-	388,147
-	-	-	-	66,716
-	-	-	-	3,055,650
43,794	-	-	-	43,794
-	-	-	-	1,555
-	-	-	-	2,654
-	-	-	-	1,881,748
-	-	-	-	73,641
43,794	738	30	515,269	8,201,837
<b>\$ 45,496</b>	<b>\$ 738</b>	<b>\$ 30</b>	<b>\$ 515,269</b>	<b>\$ 8,407,379</b>

## CITY OF SPEARFISH

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Hospitality Tax Fund	Library Gift Fund	Convention Center Fund
<b>Revenue:</b>			
<i>Taxes:</i>			
311 General Property Taxes	\$ -	\$ -	\$ -
313 General Sales and Use Taxes	866,008	-	-
315 Amusement Taxes	-	-	188,588
319 Penalties and Interest on Delinquent Taxes	-	-	-
<i>Intergovernmental Revenue:</i>			
331 Federal Grants	-	-	-
334 State Grants	-	-	-
335.08 Local Government Highway and Bridge Fund	-	-	-
335.09 911 Remittances	-	-	-
<i>Charges for Goods and Services:</i>			
342 Public Safety	-	-	-
346 Culture and Recreation	-	-	-
348 Cemeteries	-	-	-
<i>Fines and Forfeits:</i>			
354 Library	-	11,248	-
<i>Miscellaneous Revenue:</i>			
361 Earnings (Loss) on Deposits and Investments	(23,359)	3,061	855
362 Rentals	-	-	-
363 Special Assessments	-	-	-
367 Contributions and Donations - Private Sources	-	22,015	18,734
369 Other	-	161	200
<b>Total Revenue</b>	<b>842,649</b>	<b>36,485</b>	<b>208,377</b>
<b>Expenditures:</b>			
<i>Public Safety:</i>			
421 Police	-	-	-
422 Fire	-	-	-
<i>Public Works:</i>			
431 Highways and Streets	-	-	-
437 Cemeteries	-	-	-
<i>Culture and Recreation:</i>			
451 Recreation	657,568	-	-
452 Parks	-	-	-
455 Library	-	15,348	-
<i>Conservation and Development:</i>			
465 Economic Development and Assistance	963	-	223,440
470 Debt Service	-	-	-
485 Capital Outlay	-	-	-
<b>Total Expenditures</b>	<b>658,531</b>	<b>15,348</b>	<b>223,440</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>184,118</b>	<b>21,137</b>	<b>(15,063)</b>
<b>Other Financing Sources (Uses):</b>			
391.01 Transfers In	-	-	-
511 Transfers Out	(305,250)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(305,250)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(121,132)</b>	<b>21,137</b>	<b>(15,063)</b>
Fund Balances, December 31, 2021	1,040,822	336,280	81,779
<b>Fund Balances, December 31, 2022</b>	<b>\$ 919,690</b>	<b>\$ 357,417</b>	<b>\$ 66,716</b>

911 Emergency Fund	Special Assessments Revolving Fund	Spearfish Economic Revolving Fund	Special Park Gift Fund	Art in Public Places Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
176,594	-	-	-	-
-	-	-	-	-
-	-	-	-	18,634
-	-	-	-	-
-	-	-	-	-
7,461	2,467	15,634	(10,462)	696
-	-	11,027	-	-
-	550	-	-	-
-	-	-	2,500	-
-	-	-	-	-
184,055	3,017	26,661	(7,962)	19,330
666,664	-	-	-	-
-	-	-	-	-
-	37	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	3,723	2,000
-	-	-	-	-
-	-	2,071	-	-
-	-	-	-	-
-	-	-	-	-
666,664	37	2,071	3,723	2,000
(482,609)	2,980	24,590	(11,685)	17,330
529,478	-	-	-	-
-	(808,102)	-	-	-
529,478	(808,102)	-	-	-
46,869	(805,122)	24,590	(11,685)	17,330
613,534	806,677	1,857,158	246,070	56,311
\$ 660,403	\$ 1,555	\$ 1,881,748	\$ 234,385	\$ 73,641

**CITY OF SPEARFISH**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Municipal Highway and Bridge Fund</b>	<b>PD Equitable Sharing Fund</b>	<b>Fire Capital Fund</b>
<b>Revenue:</b>			
<i>Taxes:</i>			
311 General Property Taxes	\$ -	\$ -	\$ -
313 General Sales and Use Taxes	-	-	-
315 Amusement Taxes	-	-	-
319 Penalties and Interest on Delinquent Taxes	-	-	-
<i>Intergovernmental Revenue:</i>			
331 Federal Grants	73,266	-	-
334 State Grants	566,948	-	-
335.08 Local Government Highway and Bridge Fund	143,925	-	-
335.09 911 Remittances	-	-	-
<i>Charges for Goods and Services:</i>			
342 Public Safety	-	-	222,544
346 Culture and Recreation	-	-	-
348 Cemeteries	-	-	-
<i>Fines and Forfeits:</i>			
354 Library	-	-	-
<i>Miscellaneous Revenue:</i>			
361 Earnings (Loss) on Deposits and Investments	(32,537)	61	6,073
362 Rentals	-	-	-
363 Special Assessments	-	-	-
367 Contributions and Donations - Private Sources	-	-	1,000
369 Other	-	-	-
<b>Total Revenue</b>	<b>751,602</b>	<b>61</b>	<b>229,617</b>
<b>Expenditures:</b>			
<i>Public Safety:</i>			
421 Police	-	10,106	-
422 Fire	-	-	-
<i>Public Works:</i>			
431 Highways and Streets	26,556	-	-
437 Cemeteries	-	-	-
<i>Culture and Recreation:</i>			
451 Recreation	-	-	-
452 Parks	-	-	-
455 Library	-	-	-
<i>Conservation and Development:</i>			
465 Economic Development and Assistance	-	-	-
470 Debt Service	-	-	-
485 Capital Outlay	1,267,541	-	450,783
<b>Total Expenditures</b>	<b>1,294,097</b>	<b>10,106</b>	<b>450,783</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>(542,495)</b>	<b>(10,045)</b>	<b>(221,166)</b>
<b>Other Financing Sources (Uses):</b>			
391.01 Transfers In	-	-	50,000
511 Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Net Change in Fund Balances</b>	<b>(542,495)</b>	<b>(10,045)</b>	<b>(171,166)</b>
Fund Balances, December 31, 2021	3,598,145	12,699	559,313
<b>Fund Balances, December 31, 2022</b>	<b>\$ 3,055,650</b>	<b>\$ 2,654</b>	<b>\$ 388,147</b>



SAFER Fund	TID #1 Elkhorn Ridge Debt Fund	TID #4 Creekside Estates Debt Fund	Cemetery Perpetual Care Fund	Total
\$ -	\$ 509,898	\$ 145,548	\$ -	\$ 655,446
-	-	-	-	866,008
-	-	-	-	188,588
-	65	-	-	65
86,722	-	-	-	159,988
-	-	-	-	566,948
-	-	-	-	143,925
-	-	-	-	176,594
-	-	-	-	222,544
-	-	-	-	18,634
-	-	-	16,901	16,901
-	-	-	-	11,248
266	491	30	-	(29,263)
-	-	-	-	11,027
-	-	-	-	550
-	-	-	-	44,249
-	-	-	-	361
86,988	510,454	145,578	16,901	3,053,813
-	-	-	-	676,770
90,073	-	-	-	90,073
-	-	-	-	26,593
-	-	-	2,846	2,846
-	-	-	-	657,568
-	-	-	-	5,723
-	-	-	-	15,348
-	-	-	-	226,474
-	517,736	145,548	-	663,284
-	-	-	-	1,718,324
90,073	517,736	145,548	2,846	4,083,003
(3,085)	(7,282)	30	14,055	(1,029,190)
-	-	-	-	579,478
-	-	-	-	(1,113,352)
-	-	-	-	(533,874)
(3,085)	(7,282)	30	14,055	(1,563,064)
46,879	8,020	-	501,214	9,764,901
\$ 43,794	\$ 738	\$ 30	\$ 515,269	\$ 8,201,837

SINGLE AUDIT SECTION

**CITY OF SPEARFISH**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Identifying Number</b>	<b>Assistance Listing Number</b>	<b>Amount</b>
<i>U.S. Department of Transportation:</i>			
Pass-Through the S.D. Department of Transportation:			
Airport Improvement Program	3-46-0065-031-2022	20.106	\$ 559,299
Airport Improvement Program	3-46-0065-032-2022	20.106	83,178
Airport Improvement Program - American Rescue Plan Act (COVID-19)	3-46-0065-30-2022	20.106	32,000
Airport Improvement Program - Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (COVID-19)	46-6000469	20.106	73,266
<b>Total U.S. Department of Transportation</b>			<b>747,743</b>
<i>U.S. Department of Treasury:</i>			
Direct Federal Funding:			
Coronavirus State and Local Fiscal Recovery Funds (COVID-19)	46-6000469	21.027	2,126,025
<i>Institute of Museum and Library Services:</i>			
Pass-Through the S.D. Department of Education			
Grants to States	LS-250237-OLS-21	45.310	1,289
<i>U.S. Department of Homeland Security:</i>			
Pass-Through S.D. Department of Public Safety - Office of			
Emergency Management: Staffing for Adequate Fire	EMW-2018-FF		
Emergency Response (SAFER)	-00325	97.083	86,722
<b>Total</b>			<b>\$ 2,961,779</b>

**Note 1: Basis of Presentation and Summary of Significant Accounting Policies**

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.

Expenditures reported on the Schedule are reported on the 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.

**Note 2: Indirect Cost Rate**

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



## Ketel Thorstenson, LLP

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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*

City Council  
City of Spearfish  
Spearfish, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF SPEARFISH** (the City) 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, and have issued our report thereon dated September 5, 2023.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as #2022-001, that we consider to be a material weakness.

#### **Report on Compliance and Other Matters**

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

City of Spearfish

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**City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, reading "Ketel Thorstenson, LLP". The signature is fluid and cursive, with the letters "K", "T", and "L" being particularly prominent.

KETEL THORSTENSON, LLP  
Certified Public Accountants

September 5, 2023



## Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council  
City of Spearfish  
Spearfish, South Dakota

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the **CITY OF SPEARFISH's** (the City) 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 the City's major federal programs for the year ended December 31, 2022. The City'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 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 the City 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'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 the City'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 the City'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 the City's compliance with the requirements of each major federal program as a whole.

City of Spearfish

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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 procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City'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 the City'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 the City'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 a 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.

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 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.



KETEL THORSTENSON, LLP  
Certified Public Accountants

September 5, 2023

**CITY OF SPEARFISH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**A. SUMMARY OF AUDIT FINDINGS**

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of the City.
2. A material weakness was disclosed during the audit of the financial statements and is reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award program and none are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the City expresses an unmodified opinion.
6. Findings relative to the major federal award program for the City are reported in Part C of this schedule.
7. The program tested as a major program for 2022 was the Coronavirus Local Fiscal Recovery Funds (Assistance Listing #21.027).
8. The threshold for distinguishing type A and B programs was \$750,000.
9. The City was not determined to be a low risk auditee.



**CITY OF SPEARFISH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weakness**

2022-001 FINDING: Audit Adjustments

*Federal Program Affected:* None

*Compliance Requirement:* Not Applicable

*Questioned Costs:* None

*Condition and Cause:* During the course of our engagement, we proposed material audit adjustments that were approved and recorded. Additionally, we posted several reclassification entries with no effect on the change in net position/fund balance. Other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements.

*Criteria and Effect:* These adjustments would not have been identified as a result of the City's existing internal controls, and therefore, could have resulted in a material misstatement of the City's financial statements.

*Recommendation:* We recommend that management consider the following:

- a. Adjust due from federal and state balances to actual at year-end.
- b. Adjust unearned revenue to actual at year-end.
- c. Management should continue to review and approve the pension entries.
- d. Capital assets should be reviewed to make sure all additions and disposals are properly reflected, including the activity within TIF Funds. When adjusting these figures, take into account capital contributions, both external and between funds, that may need recorded.
- e. Approve and adjust all leasing entries related to GASB 87.

*Repeat Finding from Prior Year:* Yes, prior year finding 2021-001.

*Response/Corrective Action Plan:* The City agrees with the above finding. See Corrective Action Plan.

**C. FINDINGS – MAJOR FEDERAL PROGRAM AUDIT**

None.

## MANAGEMENT RESPONSE



## CITY OF SPEARFISH

### STATUS OF PRIOR YEAR FINDINGS DECEMBER 31, 2022

The City respectfully submits the following summary schedule of prior audit findings from December 31, 2021 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2021 Schedule of Findings.

#### 2021-001 FINDING: Audit Adjustments

*Status:* Management is implementing a consistent process of recording all entries needed to accurately record activities for the City and to properly close the accounting records for the year prior to audit field work.

*Initial Year Report:* 2020

*Reasons for Recurrence and Corrective Action Plan:* Management will continue to review and record activities for the City prior to audit field work.

#### 2021-002 FINDING: Financial Statement Preparation

*Status:* The City has engaged Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a matter of efficiency and time constraints of City employees.

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* This finding was not repeated in 2022. The City has designated a member of management to review the draft financial statements and complete a financial statement disclosure checklist to ensure completeness and accuracy of the financial statements and related note disclosures.



**CITY OF SPEARFISH**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2022**

The City respectfully submits the following corrective action plan regarding findings from the December 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2022-001 FINDING: Audit Adjustments

*Responsible Officials:* Michelle DeNeui, Finance Officer

*Corrective Action Plan:* Management will implement a consistent process of recording all entries needed to accurately record activities for the City and to properly close the accounting records for the year prior to audit fieldwork.

*Anticipated Completion Date:* Ongoing

