

CITY OF SPEARFISH

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023**



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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinions

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

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, and the budgetary comparison information, schedule of the City's OPEB liability, and pension schedules, and notes to required supplementary information 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 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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 16, 2024

CITY OF SPEARFISH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023

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, 2023. 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 \$12,538,632, primarily due to increased interest earnings on investment and bank accounts, increased revenues from charges for services within the general government function, increased sales and use tax revenues, and investment in capital assets with many construction projects nearing completion in 2023 such as the Sky Ridge workforce housing infrastructure and a new SportsPlex.
- During the year, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$7,881,189 more than the \$20,842,760 governmental expenditures, excluding transfers.
- In the City's business-type activities, revenue decreased by 6 percent to \$14,620,412 while expenses increased by 7 percent to \$9,962,969, due to a decrease in federal and state grant receipts and increase in general operating expenses, especially for construction projects which have seen double digit percent increase in costs since 2020.
- The general fund reported a \$1,606,486 current year increase in fund balance primarily due to an increase in interest earnings on the investment and bank accounts, increased revenues from charges for services through general fund staff time wage allocations to enterprise funds, increased investment in capital assets for construction projects and overall increase in operating costs for nearly all departments of the general fund.

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, 2023**

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.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer systems
Required Financial Statements	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
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during 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, 2023

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, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City’s combined net position increased by 7.84 percent between 2022 and 2023 – increasing by \$12,538,645 (see Table A-1).

Statement of Net Position Table A-1						
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current & Other Assets	\$ 36,440,950	\$ 34,966,815	\$ 20,088,768	\$ 19,542,740	\$ 56,529,718	\$ 54,509,555
Capital Assets	84,674,903	95,547,684	63,374,495	68,285,410	148,049,398	163,833,094
Total Assets	121,115,853	130,514,499	83,463,263	87,828,150	204,579,116	218,342,649
Pension & OPEB Related Deferred Outflows of Resources	\$ 2,228,371	\$ 2,113,325	\$ 390,228	\$ 378,113	\$ 2,618,599	\$ 2,491,438
Long-Term Debt	\$ 35,472,391	\$ 34,745,948	\$ 3,480,779	\$ 2,858,855	\$ 38,953,170	\$ 37,604,803
Other Liabilities	2,081,060	4,101,671	3,299,378	4,136,358	5,380,438	8,238,029
Total Liabilities	\$ 37,553,451	\$ 38,847,619	\$ 6,780,157	\$ 6,995,213	\$ 44,333,608	\$ 45,842,832
Lease, Pension, OPEB, and Other Related Deferred Inflows of Resources	\$ 2,489,018	\$ 2,054,383	\$ 497,031	\$ 520,182	\$ 2,986,049	2,574,565
Net Position:						
Net Investment in Capital Assets	\$ 49,955,312	\$ 61,633,374	\$ 60,024,112	\$ 65,599,992	\$ 109,979,424	\$ 127,233,366
Restricted	7,057,281	5,847,425	139,395	134,922	7,196,676	5,982,347
Unrestricted	26,289,162	24,245,023	16,412,796	14,955,954	42,701,958	39,200,977
Total Net Position	\$ 83,301,755	\$ 91,725,822	\$ 76,576,303	\$ 80,690,868	\$ 159,878,058	\$ 172,416,690
Beginning Net Position	\$ 77,555,456	\$ 83,301,755	\$ 69,994,446	\$ 76,576,303	\$ 147,549,902	\$ 159,878,058
Change in Net Position	5,746,299	8,424,067	6,581,857	4,114,565	12,328,156	12,538,632
Percentage of Increase in Net Position	7.41%	10.11%	9.40%	5.37%	8.36%	7.84%

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

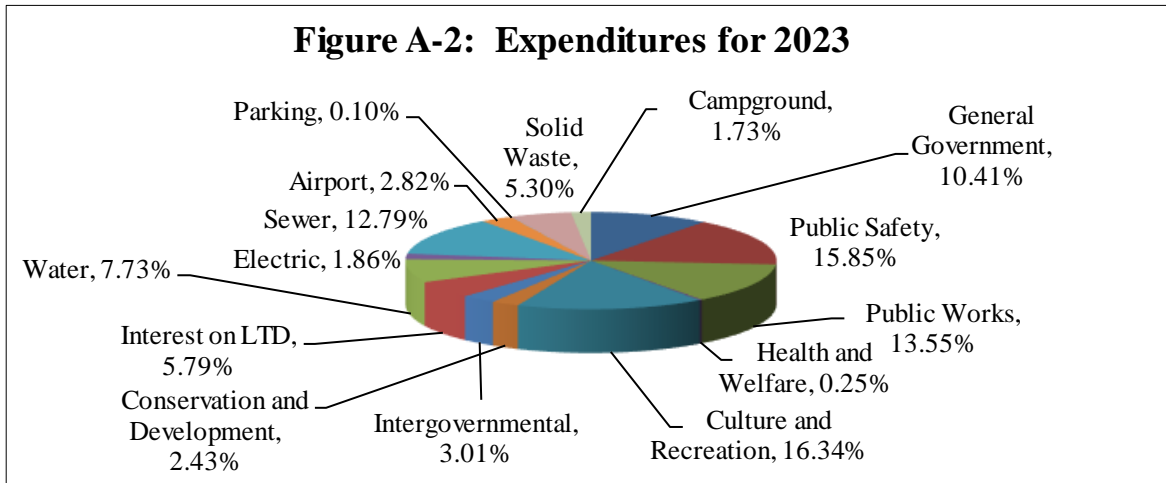
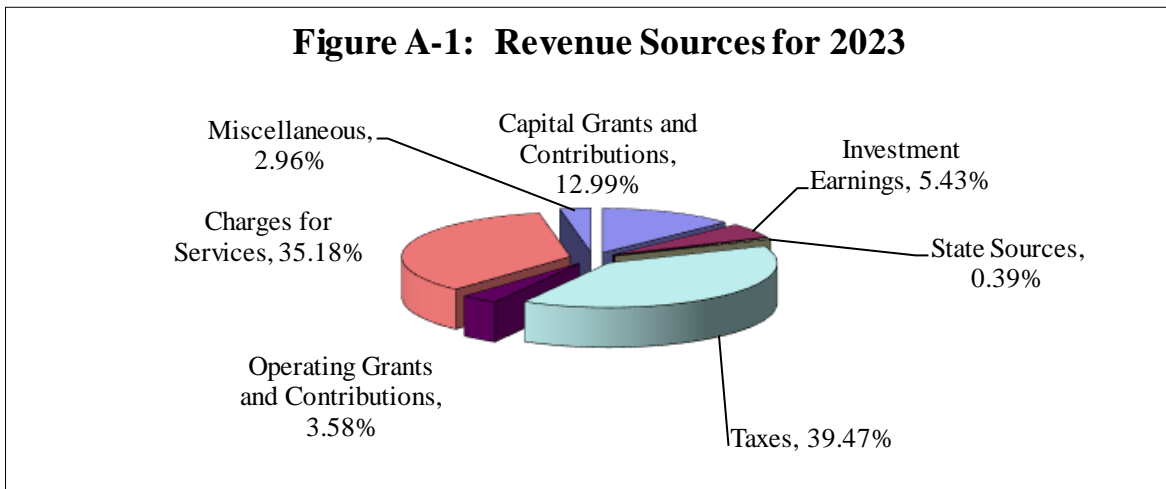
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Changes in Net Position

The City’s total revenues (excluding transfers) totaled \$43,344,361 (see Table A-2). Approximately 39 cents of every dollar of the City’s revenue comes from taxes, with 35 cents of every dollar raised coming from charges for services (primarily water, sewer, recreation and aquatic park and solid waste operations). In 2023, approximately 13 cents of every dollar came from capital grants and contributions (See Figure A-1).

The total cost of all programs and services increased \$2,844,614 from 2022 to 2023. The City’s expenses cover a range of services, including public works administration, public safety, and culture and recreation. (See Figure A-2).



CITY OF SPEARFISH

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Changes in Net Position

Table A-2						
	Total Governmental Activities		Total Business-Type Activities		Grand Total	
	2022	2023	2022	2023	2022	2023
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 4,142,142	\$ 4,514,627	\$ 10,467,263	\$ 10,731,813	\$ 14,609,405	\$ 15,246,440
Operating Grants and Contributions	1,715,833	1,548,124	35,333	3,429	1,751,166	1,551,553
Capital Grants and Contributions	1,540,815	2,633,900	5,161,097	3,000,507	6,701,912	5,634,407
<i>General Revenues</i>						
Taxes	16,259,580	17,107,399	-	-	16,259,580	17,107,399
Revenue State Sources	150,189	169,848	-	-	150,189	169,848
Unrestricted Investment						
Earnings (Loss)	179,890	1,543,546	(208,129)	809,136	(28,239)	2,352,682
Miscellaneous	797,705	1,206,505	47,553	75,527	845,258	1,282,032
Total Revenues	\$ 24,786,154	\$ 28,723,949	\$ 15,503,117	\$ 14,620,412	\$ 40,289,271	\$ 43,344,361
Expenses						
General Government	\$ 2,953,060	\$ 3,212,483	\$ -	\$ -	\$ 2,953,060	\$ 3,212,483
Public Safety	4,295,292	4,883,858	-	-	4,295,292	4,883,858
Public Works	3,453,273	4,174,785	-	-	3,453,273	4,174,785
Health and Welfare	99,302	77,662	-	-	99,302	77,662
Culture and Recreation	4,765,492	5,034,587	-	-	4,765,492	5,034,587
Conservation and Development	622,368	748,312	-	-	622,368	748,312
Interest on Long-Term Debt	1,748,613	1,783,164	-	-	1,748,613	1,783,164
Intergovernmental	699,668	927,909	-	-	699,668	927,909
Water Services	-	-	2,266,005	2,382,240	2,266,005	2,382,240
Electric Services	-	-	484,611	574,236	484,611	574,236
Sewer Services	-	-	3,687,742	3,939,580	3,687,742	3,939,580
Airport	-	-	840,567	868,496	840,567	868,496
Parking	-	-	34,446	30,499	34,446	30,499
Solid Waste	-	-	1,485,428	1,633,951	1,485,428	1,633,951
Campground	-	-	525,248	533,967	525,248	533,967
Total Expenses	\$ 18,637,068	\$ 20,842,760	\$ 9,324,047	\$ 9,962,969	\$ 27,961,115	\$ 30,805,729
Excess Revenues Before Transfers						
	\$ 6,149,086	\$ 7,881,189	\$ 6,179,070	\$ 4,657,443	\$ 12,328,156	\$ 12,538,632
Transfers	(402,787)	542,878	402,787	(542,878)	-	-
Increase in Net Position	\$ 5,746,299	\$ 8,424,067	\$ 6,581,857	\$ 4,114,565	\$ 12,328,156	\$ 12,538,632
Net Position - Ending	\$ 83,301,755	\$ 91,725,822	\$ 76,576,303	\$ 80,690,868	\$ 159,878,058	\$ 172,416,690

CITY OF SPEARFISH

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Governmental Activities

Revenues of the City's governmental activities exceeded expenditures by \$7,881,189 excluding transfers, due to increased interest earnings on the investment and bank accounts, increased tax (property tax and sales tax) collections, and increase in capital grants and contributions for construction of streets and roads.

Business-Type Activities

Revenues of the City's business-type activities exceeded expenses by \$4,657,443 excluding transfers, due to the increased interest earnings on the investment and bank accounts, and planned rate increases for water, sewer, airport, and solid waste services.

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, 2023**

CAPITAL ASSET ADMINISTRATION

By the end of 2023, the City had invested \$163,833,094 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 \$15,783,696.

Table A-3 Capital Assets (Net of Depreciation)				
	Governmental Activities		Business-type Activities	
	2022	2023	2022	2023
Land	\$ 14,259,165	\$ 14,326,491	\$ 8,087,363	\$ 8,087,363
Buildings	14,744,424	14,579,544	5,343,886	5,077,385
Improvements	31,333,913	35,136,680	43,241,256	43,848,740
Machinery and Equipment	5,365,285	5,793,954	1,809,078	1,773,702
Construction Work in Progress	18,972,116	25,711,015	4,892,912	9,498,220
Totals	\$ 84,674,903	\$ 95,547,684	\$ 63,374,495	\$ 68,285,410

This year’s major capital asset changes included:

Governmental Fund Assets:

- Continued construction of a new sports complex to be completed in early 2024, for \$2,580,315, with total construction costs through 2023 of \$12,996,808. The complex has four softball fields and six soccer fields, multiple concession stands and restroom facilities, and a playground area.
- Continued construction of street infrastructure for a workforce housing development, Sky Ridge, for \$1,538,695, with total construction costs through 2023 of \$8,116,889.
- Street infrastructure construction on North Avenue for \$2,030,387, to be completed in 2024.
- Street infrastructure construction in the Green Acres Subdivision for \$1,471,389.
- Purchase of a new Caterpillar wheel loader for \$272,832.

Business-type Assets:

- Began construction of a new water well and tank, East Low Zone Well, to serve the eastern side of the city for cost of \$1,112,782.
- Dedication of water and sewer infrastructure from the developers of the roads of Colorado Loop, Foxglove Court, Gooseberry Road, and Brooks Loop for \$2,324,033.
- Construction of the Elkhorn Ridge Sewer Lift Station upgrade, a project with shared costs with Elkhorn Ridge @ Frawley Ranches and Centennial Mountain LLC, for \$3,693,117.
- Purchase of four pickup trucks for the water and sewer divisions for total of \$217,709.

CITY OF SPEARFISH

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2023**

LONG-TERM DEBT

At year-end, the City had \$37,604,803 in Sales Tax Refunding Bonds, Tax Increment Debt, State Revolving Fund debt, and other long-term obligations. This is a decrease from 2022 as shown on Table A-4 below as a result of the City making scheduled payments throughout the year on its debt balances.

	Governmental Activities		Business-type Activities	
	2022	2023	2022	2023
Compensated Absences	\$ 752,800	\$ 831,638	\$ 130,396	\$ 173,437
Sales Tax Refunding Bonds 2015	3,220,000	2,685,000	-	-
Premium on Refunding Bonds 2015	106,475	87,116	-	-
Sales Tax Revenue Bonds 2020	8,920,000	8,520,000	-	-
Premium on Revenue Bonds 2020	304,791	287,696	-	-
Sales Tax Revenue Bonds 2022	7,090,000	6,825,000	-	-
Premium on Revenue Bonds 2022	686,070	650,197	-	-
TID #1 Elkhorn Ridge	3,776,605	3,776,605	-	-
TID #4 Creekside	531,919	380,137	-	-
TID #1 Accrued Interest	10,083,731	10,702,559	-	-
Wastewater Revenue Bond	-	-	2,553,317	2,237,641
SRF Loan - Water	-	-	797,066	447,777
Total	\$ 35,472,391	\$ 34,745,948	\$ 3,480,779	\$ 2,858,855

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s current economic position continues to be strong in 2023. The City experienced an increase in total property valuation of \$40,808,324 or 3 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 \$87,480. Due to the significant growth in construction, the property tax mill levy decreased from \$2.160 per \$1,000 assessed valuation to \$2.063 per \$1,000 assessed valuation for 2024 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 4 percent increase in taxable sales over the prior year. Despite the steady increase in sales tax revenue, the City has adopted a conservative budget with a 3.6 percent increase in sales tax revenues for 2024 and no increase in sales tax revenues in 2025. The City is actively watching an initiated measure for vote of the public in November 2024 to repeal the sales tax on ‘human consumption’ items. This measure would result in approximately \$1,500,000 of lost revenue in a twelve-month period for the City. The results of the election will be evaluated by the Common Council and budget changes for 2025 may be implemented.

The City’s adopted general fund budget for the next fiscal year will increase \$2,707,875 or 13.79 percent. This increase is due to adding positions within the public works divisions and planned construction of recreational paths, a park bandshell, and a fire training center.

The City’s business-type activities (water, sewer, and garbage operations) expect that the results for 2024 will show use of cash on hand. This is due to the annual rate increases implemented to cover the increasing cost of repair and replacement of aging infrastructure being inadequate to cover the double digit rise in construction and operation costs. Rate increases are expected to increase in 2025 and forward to cover the increased costs.

CITY OF SPEARFISH

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2023**

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, 2023**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and Cash Equivalents	\$ 27,402,955	\$ 11,346,692	\$ 38,749,647
Investments	3,521,424	6,955,715	10,477,139
Accounts and Notes Receivable, Net	3,220,545	954,160	4,174,705
Lease Receivable	682,622	279,832	962,454
Other Assets	112,399	1,771	114,170
Net Pension Asset	26,870	4,570	31,440
Capital Assets:			
Land and Construction in Progress	40,037,506	17,585,583	57,623,089
Other Capital Assets, Net of Depreciation	55,510,178	50,699,827	106,210,005
TOTAL ASSETS	130,514,499	87,828,150	218,342,649
Deferred Outflows of Resources			
Pension Related Deferred Outflow of Resources	2,064,892	368,045	2,432,937
OPEB Related Deferred Outflow of Resources	48,433	10,068	58,501
	2,113,325	378,113	2,491,438
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 132,627,824	\$ 88,206,263	\$ 220,834,087

CITY OF SPEARFISH

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Liabilities:			
Accounts Payable	\$ 3,491,706	\$ 983,678	\$ 4,475,384
Unearned Revenue	114,669	2,837,424	2,952,093
Other Current Liabilities	284,931	271,523	556,454
Other Post Employment Benefits	210,365	43,733	254,098
Long-Term Liabilities			
Due Within One Year	2,894,180	853,631	3,747,811
Due in More Than One Year	31,851,768	2,005,224	33,856,992
TOTAL LIABILITIES	38,847,619	6,995,213	45,842,832
Deferred Inflow of Resources			
Pension Related Deferred Inflow of Resources	1,333,564	237,693	1,571,257
OPEB Related Deferred Inflow of Resources	60,777	12,634	73,411
Lease Related Deferred Inflows	660,042	269,855	929,897
	2,054,383	520,182	2,574,565
Net Position:			
Net Investment in Capital Assets	61,633,374	65,599,992	127,233,366
Restricted for:			
Debt Service	4,230	-	4,230
Promoting the City	729,816	-	729,816
Library Purposes	393,299	-	393,299
Park Purposes	286,158	-	286,158
911 Purposes	572,489	-	572,489
Fire Capital Fund	744,467	-	744,467
SAFER Fund	46,625	-	46,625
Business Improvement District Purposes	48,829	-	48,829
Rifle Range Improvement Grant	9,849	-	9,849
Municipal Highway and Bridge	1,706,452	-	1,706,452
Special Assessments Revolving Loan Fund	3,392	-	3,392
Pension - SDRS	758,198	134,922	893,120
Perpetual Care Cemetery			
Expendable	493,621	-	493,621
Nonexpendable	50,000	-	50,000
Unrestricted	24,245,023	14,955,954	39,200,977
TOTAL NET POSITION	91,725,822	80,690,868	172,416,690
TOTAL LIABILITIES AND NET POSITION	\$ 132,627,824	\$ 88,206,263	\$ 220,834,087

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

CITY OF SPEARFISH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	--- Program Revenues ---			Net (Expense) Revenue and ----- Changes in Net Position -----		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 3,212,483	\$ 2,723,744	\$ -	\$ -	\$ (488,739)	\$ -	\$ (488,739)
Public Safety	4,883,858	587,674	133,369	-	(4,162,815)	-	(4,162,815)
Public Works	4,174,785	64,816	1,414,755	2,633,900	(61,314)	-	(61,314)
Health and Welfare	77,662	-	-	-	(77,662)	-	(77,662)
Culture and Recreation	5,034,587	1,138,393	-	-	(3,896,194)	-	(3,896,194)
Conservation and Development	748,312	-	-	-	(748,312)	-	(748,312)
Intergovernmental	927,909	-	-	-	(927,909)	-	(927,909)
Interest on Long-Term Debt*	1,783,164	-	-	-	(1,783,164)	-	(1,783,164)
Total Governmental Activities	20,842,760	4,514,627	1,548,124	2,633,900	(12,146,109)	-	(12,146,109)
Business-Type Activities:							
Water	2,382,240	3,296,507	-	1,533,646	-	2,447,913	2,447,913
Electric	574,236	697,798	-	-	-	123,562	123,562
Sewer	3,939,580	4,421,148	-	1,390,010	-	1,871,578	1,871,578
Airport	868,496	94,910	3,429	76,851	-	(693,306)	(693,306)
Parking	30,499	26,302	-	-	-	(4,197)	(4,197)
Solid Waste	1,633,951	1,603,057	-	-	-	(30,894)	(30,894)
Campground	533,967	592,091	-	-	-	58,124	58,124
Total Business-Type Activities	9,962,969	10,731,813	3,429	3,000,507	-	3,772,780	3,772,780
Total Primary Government	\$ 30,805,729	\$ 15,246,440	\$ 1,551,553	\$ 5,634,407	(12,146,109)	3,772,780	(8,373,329)
General Revenues:							
Taxes:							
Property Taxes					3,957,687	-	3,957,687
Sales Taxes					13,019,486	-	13,019,486
Gross Receipts Tax					130,226	-	130,226
State Shared Revenue					169,848	-	169,848
Grants and Contributions Not Restricted					318,566	-	318,566
Unrestricted Investment Earnings (Loss)					1,543,546	809,136	2,352,682
Miscellaneous Revenue					887,939	75,527	963,466
Transfers					542,878	(542,878)	-
Total General Revenue and Transfers					20,570,176	341,785	20,911,961
Change in Net Position					8,424,067	4,114,565	12,538,632
Net Position, Beginning					83,301,755	76,576,303	159,878,058
Net Position, Ending					\$ 91,725,822	\$ 80,690,868	\$ 172,416,690

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, 2023**

	General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund - TIF #6	Other Governmental Funds	Total Governmental Funds
Assets					
101 Cash and Cash Equivalents	\$ 21,545,021	\$ 1,167	\$ 2,142,183	\$ 3,507,540	\$ 27,195,911
104 Investments	1,700,540	-	-	1,820,884	3,521,424
108 Property Taxes Receivable	23,467	-	-	-	23,467
110 Sales Taxes Receivable	117,771	-	-	9,774	127,545
115 Accounts Receivable	73,713	-	432,004	975	506,692
121 Special Assessments Receivable	328	-	-	10,278	10,606
128 Notes Receivable	-	-	-	2,020,106	2,020,106
130 Lease Receivable	682,622	-	-	-	682,622
132 Due from Other Governments	478,824	-	-	53,305	532,129
133 Advance To Other Funds	1,500,000	-	-	-	1,500,000
141 Inventory of Supplies	2,431	-	-	-	2,431
Total Assets	\$ 26,124,717	\$ 1,167	\$ 2,574,187	\$ 7,422,862	\$ 36,122,933
Liabilities, Deferred Inflows of Resources and Fund Balances					
<i>Liabilities</i>					
202 Accounts Payable	\$ 1,117,167	\$ -	\$ 2,178,752	\$ 195,787	\$ 3,491,706
216 Accrued Wages Payable	181,586	-	-	14,531	196,117
219 Amounts Held for Others	-	-	-	15,000	15,000
220 Customer Deposits	45,000	-	-	-	45,000
223 Unearned Revenues	3,136	-	-	-	3,136
236 Advance From Other Funds	-	-	1,500,000	-	1,500,000
Total Liabilities	1,346,889	-	3,678,752	225,318	5,250,959
<i>Deferred Inflows of Resources</i>					
245 Unavailable Revenue - Property Taxes	9,094	-	-	-	9,094
247 Lease Related Deferred Inflows	657,907	-	-	2,135	660,042
Total Deferred Inflows of Resources	667,001	-	-	2,135	669,136
<i>Fund Balances</i>					
263 Nonspendable	1,502,431	-	-	50,000	1,552,431
264 Restricted	9,849	-	-	5,029,378	5,039,227
265 Committed	-	1,167	-	2,116,031	2,117,198
266 Assigned	2,588,849	-	-	-	2,588,849
267 Unassigned	20,009,698	-	(1,104,565)	-	18,905,133
Total Fund Balances	24,110,827	1,167	(1,104,565)	7,195,409	30,202,838
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 26,124,717	\$ 1,167	\$ 2,574,187	\$ 7,422,862	\$ 36,122,933

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, 2023**

Total Fund Balances - Governmental Funds	\$ 30,202,838
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.	95,547,684
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.	(34,745,948)
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.	9,094
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).	(28,814)
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.	205,479
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	26,870
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	(1,333,564)
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	2,064,892
OPEB liability reported in the governmental activities is not due and payable in the current period and therefore not reported in the funds.	(210,365)
OPEB related deferred outflows are components of OPEB liability and therefore are not reported in the funds.	48,433
OPEB related deferred inflows are components of OPEB liability and therefore are not reported in the funds.	(60,777)
<hr/>	
Total Net Position - Governmental Activities	\$ 91,725,822

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, 2023**

	General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund - TIF #6	Other Governmental Funds	Total Governmental Funds
Revenue					
<i>Taxes:</i>					
311	\$ 2,913,543	\$ -	\$ 9,625	\$ 839,812	\$ 3,762,980
313	12,109,370	-	-	910,116	13,019,486
314	130,226	-	-	-	130,226
315	-	-	-	187,100	187,100
319					
	Delinquent Taxes	-	-	132	3,810
320	653,514	-	-	-	653,514
<i>Intergovernmental Revenue:</i>					
331	56,817	-	-	50,590	107,407
334	44,957	-	-	444,648	489,605
<i>State Shared Revenue:</i>					
335.03	83,811	-	-	-	83,811
335.04	142,086	-	-	-	142,086
335.06	86,037	-	-	-	86,037
335.08					
	Local Government Highway and Bridge Fund	-	-	178,530	178,530
335.09	-	-	-	133,369	133,369
335.20	252,281	37,467	-	-	289,748
339	207,379	-	-	-	207,379
<i>Charges for Goods and Services:</i>					
341	2,070,230	-	-	-	2,070,230
342	347,972	-	-	237,428	585,400
346	1,106,069	-	-	19,939	1,126,008
348	35,414	-	-	29,402	64,816
<i>Fines and Forfeits:</i>					
351	-	-	19	-	19
354	-	-	-	12,385	12,385
359	2,255	-	-	-	2,255
<i>Miscellaneous Revenue:</i>					
361	Earnings (Loss) on Deposits and Investments	1,008,838	9,362	207,516	308,229
					1,533,945
362	Rentals	165,110	-	9,105	174,215
363	Special Assessments	124,204	-	425	124,629
367	Contributions and Donations - Private Sources	16,753	5,000	10,500	286,313
					318,566
369	Other	-	-	(476)	(476)
Total Revenue	21,560,544	51,829	227,660	3,647,047	25,487,080

CITY OF SPEARFISH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Second Penny Sales Tax Fund	Workforce Housing Fund - TIF #6	Other Governmental Funds	Total Governmental Funds
Expenditures					
<i>General Government:</i>					
411 Legislative	144,276	-	-	-	144,276
412 Executive	369,044	-	-	-	369,044
414 Financial Administration	759,261	-	-	-	759,261
419 Other	1,621,284	-	-	-	1,621,284
<i>Public Safety:</i>					
421 Police	2,690,132	-	-	711,422	3,401,554
422 Fire	745,153	-	-	57,288	802,441
423 Protective Inspection	324,074	-	-	-	324,074
<i>Public Works:</i>					
431 Highways and Streets	2,306,195	-	-	1,406	2,307,601
437 Cemeteries	125,813	-	-	1,050	126,863
<i>Health and Welfare:</i>					
441 Health	76,655	-	-	-	76,655
<i>Culture and Recreation:</i>					
451 Recreation	1,667,496	-	-	707,395	2,374,891
452 Parks	1,252,276	-	73,750	10,358	1,336,384
455 Library	508,407	-	-	37,390	545,797
<i>Conservation and Development:</i>					
463 Urban Redevelopment and Housing	17,148	-	-	-	17,148
465 Economic Development and Assistance	339,787	-	-	227,421	567,208
470 Debt Service	-	651,611	1,100,765	839,812	2,592,188
480 Intergovernmental Expenditures	660,019	-	-	-	660,019
485 Capital Outlay	5,500,260	-	4,119,010	2,330,323	11,949,593
Total Expenditures	19,107,280	651,611	5,293,525	4,923,865	29,976,281
Excess (Deficit) of Revenue over Expenditures	2,453,264	(599,782)	(5,065,865)	(1,276,818)	(4,489,201)
Other Financing Sources (Uses)					
391.01 Transfers In	260,690	600,000	530,701	688,390	2,079,781
391.04 Compensation for Loss or Damage	11,435	-	-	-	11,435
391 Sale of Municipal Property	-	-	805,000	-	805,000
511 Transfers Out	(1,118,903)	-	-	(418,000)	(1,536,903)
Total Other Financing Sources (Uses)	(846,778)	600,000	1,335,701	270,390	1,359,313
Net Change in Fund Balances	1,606,486	218	(3,730,164)	(1,006,428)	(3,129,888)
Fund Balances - December 31, 2022	22,504,341	949	2,625,599	8,201,837	33,332,726
Fund Balances - December 31, 2023	\$ 24,110,827	\$ 1,167	\$ (1,104,565)	\$ 7,195,409	\$ 30,202,838

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, 2023

Net Change in Fund Balances - Total Government Funds \$ (3,129,888)

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	11,949,593
Depreciation Expense	(3,483,848)
	8,465,745
Capital assets contributed to the City, which are included in the Statement of Activities.	2,509,271
In the Statement of Activities gains and losses on disposals of capital assets are reported, whereas in the governmental funds proceeds from the disposals are reflected, regardless of whether a gain or loss is realized.	(102,235)
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	3,797
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.	2,015,035
Premium on bond issue is a revenue in the governmental funds but is capitalized and amortized in the Statement of Net Position.	72,327
Accrued interest on TID #1 increases long-term liabilities in the Statement of Net Position but is not reported in the governmental funds.	(1,282,081)
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	(78,838)
OPEB	(20,230)
Accrued Interest (excluding TID #1)	3,743
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.	11,407
Changes in the pension related deferred outflows/inflows, pension asset, and related pension expenses.	(43,986)
	\$ 8,424,067

Change in Net Position of Governmental Activities

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

CITY OF SPEARFISH

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Water Fund	Electric Production Fund	Sewer Fund
Assets			
<i>Current Assets</i>			
101 Cash and Cash Equivalents	\$ 3,861,831	\$ 1,431,327	\$ 3,126,498
104 Investments	4,135,601	611,366	1,383,261
115 Accounts Receivable, Net	247,158	-	425,143
132 Due from Other Governments	-	-	-
141 Inventory of Supplies	-	-	-
155 Prepaid Expenses	-	-	-
Total Current Assets	8,244,590	2,042,693	4,934,902
<i>Noncurrent Asset</i>			
130 Lease Receivable - Long Term	-	-	-
189 Net Pension Asset	860	521	2,192
<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	(1,857,911)	(39,333)	(4,775,406)
164 Improvements Other Than Buildings	29,172,873	1,257,352	29,782,610
165 Accumulated Depreciation - Improvements Other Than Buildings	(12,286,002)	(179,934)	(13,460,544)
166 Machinery and Equipment	2,699,424	209,445	3,953,860
167 Accumulated Depreciation - Machinery and Equipment	(1,890,136)	(166,692)	(3,599,844)
168 Construction Work in Progress	1,197,164	-	7,119,690
Total Capital Assets, Net	19,826,826	1,280,838	26,782,226
Total Assets	28,072,276	3,324,052	31,719,320
Deferred Outflows of Resources			
196 Pension Related Deferred Outflows	68,806	41,122	174,813
196 OPEB Related Deferred Outflows	1,769	1,422	4,144
	70,575	42,544	178,957
Total Assets and Deferred Outflows of Resources	\$ 28,142,851	\$ 3,366,596	\$ 31,898,277

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

Airport Fund	Parking Fund	Solid Waste Fund	Campground Fund	Total Proprietary Funds	Internal Service Employee Health Insurance Fund
\$ 843,187	\$ 70,176	\$ 814,904	\$ 1,198,769	\$ 11,346,692	\$ 207,044
-	-	577,929	247,558	6,955,715	-
5,879	-	155,641	-	833,821	-
120,339	-	-	-	120,339	-
-	-	-	1,771	1,771	-
-	-	-	-	-	109,968
969,405	70,176	1,548,474	1,448,098	19,258,338	317,012
279,832	-	-	-	279,832	-
-	-	898	99	4,570	-
7,207,206	48,000	-	171,220	8,087,363	-
2,405,651	-	-	401,228	12,899,216	-
(872,048)	-	-	(277,133)	(7,821,831)	-
12,520,879	-	19,258	437,507	73,190,479	-
(3,160,529)	-	(16,300)	(238,430)	(29,341,739)	-
84,275	-	2,235,463	78,120	9,260,587	-
(74,125)	-	(1,679,179)	(76,909)	(7,486,885)	-
1,130,466	-	-	50,900	9,498,220	-
19,241,775	48,000	559,242	546,503	68,285,410	-
20,491,012	118,176	2,108,614	1,994,700	87,828,150	317,012
-	-	74,835	8,469	368,045	-
-	-	2,495	238	10,068	-
-	-	77,330	8,707	378,113	-
\$ 20,491,012	\$ 118,176	\$ 2,185,944	\$ 2,003,407	\$ 88,206,263	\$ 317,012

CITY OF SPEARFISH

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Water Fund	Electric Production Fund	Sewer Fund
Liabilities and Net Position			
<i>Current Liabilities</i>			
202 Accounts Payable	\$ 207,027	\$ 1,663	\$ 727,815
205 Current Portion of Long-Term Debt	396,178	13,324	421,592
215 Accrued Interest Payable	1,259	-	10,722
216 Accrued Wages Payable	5,317	4,394	14,690
220 Customer Deposits	159,250	-	-
223 Unearned Revenues	-	-	2,837,154
Total Current Liabilities	769,031	19,381	4,011,973
<i>Noncurrent Liabilities</i>			
237 Long-Term Debt, Net of Current Portion	90,562	-	1,914,662
238 Other Post Employment Benefits	7,684	6,177	17,999
	98,246	6,177	1,932,661
Deferred Inflows of Resources			
247 Lease Related Deferred Inflows	-	-	-
248 Pension Related Deferred Inflow	44,437	26,558	112,899
248 OPEB Related Deferred Inflows	2,220	1,784	5,200
	46,657	28,342	118,099
Total Liabilities and Deferred Inflow of Resources	913,934	53,900	6,062,733
Net Position			
253.1 Net Investment in Capital Assets	19,379,049	1,280,838	24,544,585
264 Restricted for Pension	25,229	15,085	64,106
252.0 Unrestricted Net Position	7,824,639	2,016,773	1,226,853
Total Net Position	27,228,917	3,312,696	25,835,544
Total Liabilities, Deferred Inflows, and Net Position	\$ 28,142,851	\$ 3,366,596	\$ 31,898,277

Airport Fund	Parking Fund	Solid Waste Fund	Campground Fund	Total Proprietary Funds	Internal Service Employee Health Insurance Fund
\$ 1,600	\$ -	\$ 43,555	\$ 2,018	\$ 983,678	\$ -
-	-	13,052	9,485	853,631	-
-	-	-	-	11,981	-
31	-	6,998	-	31,430	-
1,000	-	-	67,862	228,112	-
-	-	270	-	2,837,424	111,533
2,631	-	63,875	79,365	4,946,256	111,533
-	-	-	-	2,005,224	-
-	-	10,838	1,035	43,733	-
-	-	10,838	1,035	2,048,957	-
269,855	-	-	-	269,855	-
-	-	48,330	5,469	237,693	-
-	-	3,131	299	12,634	-
269,855	-	51,461	5,768	520,182	-
272,486	-	126,174	86,168	7,515,395	111,533
19,241,775	48,000	559,242	546,503	65,599,992	-
-	-	27,403	3,099	134,922	-
976,751	70,176	1,473,125	1,367,637	14,955,954	205,479
20,218,526	118,176	2,059,770	1,917,239	80,690,868	205,479
\$ 20,491,012	\$ 118,176	\$ 2,185,944	\$ 2,003,407	\$ 88,206,263	\$ 317,012

CITY OF SPEARFISH

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Electric Production Fund	Sewer Fund
Operating Revenue			
380 Charges for Goods and Services	\$ 3,296,507	\$ 697,798	\$ 4,421,148
Operating Expenses			
410 Personal Services	759,368	404,707	1,493,507
420 Other Current Expenses	608,174	126,866	1,009,801
457 Depreciation	1,000,680	42,663	1,380,863
Total Operating Expenses	2,368,222	574,236	3,884,171
Operating Income (Loss)	928,285	123,562	536,977
Non-Operating Income (Expense)			
320 Licenses and Permits	12,604	-	12,604
331 Federal Grants	-	-	-
334 State Grants	-	-	-
361 Earnings (Loss) on Deposits and Investments	349,427	86,211	211,059
367 Contributions	-	-	599,624
369 Other	1,355	723	2,379
470 Interest Expense and Fiscal Charges	(14,018)	-	(55,409)
Total Non-Operating Income (Expense)	349,368	86,934	770,257
Income (Loss) before Transfers	1,277,653	210,496	1,307,234
Other Financing Sources (Uses)			
391.01 Transfers In	-	-	-
391.04 Compensation for Loss or Damage	-	2,000	12,822
391.07 Contributed Capital	1,533,646	-	790,386
511 Transfers Out	(79,772)	(15,897)	(614,312)
Total Other Financing Sources (Uses)	1,453,874	(13,897)	188,896
Net Income (Loss)	2,731,527	196,599	1,496,130
Net Position - December 31, 2022	24,497,390	3,116,097	24,339,414
Net Position - December 31, 2023	\$ 27,228,917	\$ 3,312,696	\$ 25,835,544

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

Airport Fund	Parking Fund	Solid Waste Fund	Campground Fund	Total Proprietary Funds	Internal Service Employee Health Insurance Fund
\$ 94,910	\$ 26,302	\$ 1,603,057	\$ 592,091	\$ 10,731,813	\$ 1,102,082
111,004	16,410	728,971	273,188	3,787,155	-
134,294	14,089	796,475	236,138	2,925,837	1,100,276
623,198	-	108,505	24,641	3,180,550	-
868,496	30,499	1,633,951	533,967	9,893,542	1,100,276
(773,586)	(4,197)	(30,894)	58,124	838,271	1,806
-	-	-	-	25,208	-
76,851	-	-	-	76,851	-
3,429	-	-	-	3,429	-
33,336	3,449	62,880	62,774	809,136	9,601
-	-	-	-	599,624	-
3,290	-	-	440	8,187	-
-	-	-	-	(69,427)	-
116,906	3,449	62,880	63,214	1,453,008	9,601
(656,680)	(748)	31,986	121,338	2,291,279	11,407
199,812	-	-	-	199,812	-
27,310	-	-	-	42,132	-
-	-	-	-	2,324,032	-
(16,535)	(104)	(10,607)	(5,463)	(742,690)	-
210,587	(104)	(10,607)	(5,463)	1,823,286	-
(446,093)	(852)	21,379	115,875	4,114,565	11,407
20,664,619	119,028	2,038,391	1,801,364	76,576,303	194,072
\$ 20,218,526	\$ 118,176	\$ 2,059,770	\$ 1,917,239	\$ 80,690,868	\$ 205,479

CITY OF SPEARFISH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Electric Production Fund	Sewer Fund
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 3,254,771	\$ 697,798	\$ 6,109,201
Payments to Suppliers	(463,333)	(125,203)	(771,425)
Payments to Employees	(757,570)	(388,334)	(1,467,198)
Net Cash Flows Provided by (Used in) Operating Activities	2,033,868	184,261	3,870,578
Cash Flows from Noncapital Financing Activities:			
Transfers In	-	-	-
Transfers Out	(79,772)	(15,897)	(614,312)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	(79,772)	(15,897)	(614,312)
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(1,520,695)	-	(4,163,128)
Principal Paid on Capital Debt	(349,289)	-	(315,676)
Interest Paid	(15,001)	-	(56,922)
Other Receipts (Disbursements)	13,959	2,723	627,429
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(1,871,026)	2,723	(3,908,297)
Cash Flows Provided by Investing Activities:			
Investment Earnings	349,427	86,211	211,059
Increase (Decrease) in Cash and Investments	432,497	257,298	(440,972)
Cash and Investments - December 31, 2022	7,564,935	1,785,395	4,950,731
Cash and Investments - December 31, 2023	\$ 7,997,432	\$ 2,042,693	\$ 4,509,759
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 928,285	\$ 123,562	\$ 536,977
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</i>			
Depreciation Expense	1,000,680	42,663	1,380,863
Change in Assets and Liabilities:			
Change in Accounts Receivable	(41,836)	-	1,208,295
Change in Inventory of Supplies	-	-	-
Change in Prepaid Expense	-	-	-
Change in Accounts Payable	144,841	1,663	238,376
Change in Accrued Wages	560	497	2,183
Change in Customer Deposits	100	-	-
Change in OPEB	(781)	525	(746)
Change in Pension Asset	(57)	(3)	(183)
Change in Accrued Leave	1,458	9,470	23,663
Change in Pension and OPEB Related Deferred Outflows	1,303	15,767	2,274
Change in Pension and OPEB Related Deferred Inflows	(685)	(9,883)	(882)
Change in Lease Related Deferred Inflows	-	-	-
Change in Unearned Revenue	-	-	479,758
Net Cash Flows Provided by (Used in) Operating Activities	\$ 2,033,868	\$ 184,261	\$ 3,870,578
Noncash Capital and Related Financing Activities			
Capital Contributions	\$ 1,533,646	\$ -	\$ 790,386

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

Airport Fund	Parking Fund	Solid Waste Fund	Campground Fund	Total Proprietary Funds	Internal Service Employee Health Insurance Fund
\$ 89,296	\$ 26,302	\$ 1,583,090	\$ 603,744	\$ 12,364,202	\$ 1,135,389
(166,336)	(13,938)	(795,771)	(238,192)	(2,574,198)	(1,132,098)
(110,946)	(16,410)	(732,551)	(271,409)	(3,744,418)	-
(187,986)	(4,046)	54,768	94,143	6,045,586	3,291
199,812	-	-	-	199,812	-
(16,535)	(104)	(10,607)	(5,463)	(742,690)	-
183,277	(104)	(10,607)	(5,463)	(542,878)	-
(83,610)	-	-	-	(5,767,433)	-
-	-	-	-	(664,965)	-
-	-	-	-	(71,923)	-
888,361	-	-	440	1,532,912	-
804,751	-	-	440	(4,971,409)	-
33,336	3,449	62,880	62,774	809,136	9,601
833,378	(701)	107,041	151,894	1,340,435	12,892
9,809	70,877	1,285,792	1,294,433	16,961,972	194,152
\$ 843,187	\$ 70,176	\$ 1,392,833	\$ 1,446,327	\$ 18,302,407	\$ 207,044
\$ (773,586)	\$ (4,197)	\$ (30,894)	\$ 58,124	\$ 838,271	\$ 1,806
623,198	-	108,505	24,641	3,180,550	-
(35,335)	-	(20,237)	-	1,110,887	-
-	-	-	(1,771)	(1,771)	-
-	151	-	-	151	(30,519)
(32,042)	-	704	(283)	353,259	(1,303)
31	-	(7,350)	(123)	(4,202)	-
-	-	-	11,653	11,753	-
-	-	(254)	(106)	(1,362)	-
-	-	(37)	(5)	(285)	-
-	-	6,123	2,327	43,041	-
76	-	(6,386)	(919)	12,115	-
(49)	-	4,324	605	(6,570)	-
29,721	-	-	-	29,721	-
-	-	270	-	480,028	33,307
(187,986)	(4,046)	54,768	94,143	6,045,586	3,291
\$ -	\$ -	\$ -	\$ -	\$ 2,324,032	\$ -

CITY OF SPEARFISH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(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, 2023**

(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, 2023**

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

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

Proprietary Funds:

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The City has the following enterprise 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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

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.

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 for the city is 60 days. The revenues which are accrued at December 31, 2023, are property taxes, sales taxes, special assessments, and amounts due from other governments.

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

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

All proprietary 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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

In order to minimize the 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.

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, improvements other than buildings, machinery and equipment, construction work in progress, 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 date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -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.

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.

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 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.

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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Leases

The City uses its estimated incremental borrowing rate as the discount 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 its 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.

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, noncapital 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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

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.

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, 2023. 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, 2023. 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, 2023**

(1) Summary of Significant Accounting Policies

Equity Classifications

Fund Financial Statements:

As of December 31, 2023, 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 Nonspendable:					
263 Inventory	\$ 2,431	\$ -	\$ -	\$ -	\$ 2,431
263 Advance to Other Funds	1,500,000	-	-	-	1,500,000
263.51 Perpetual Care Cemetery	-	-	-	50,000	50,000
	1,502,431	-	-	50,000	1,552,431
264 Restricted:					
264 Debt Service	-	-	-	4,230	4,230
264.03 Perpetual Care Cemetery	-	-	-	493,621	493,621
264.04 Promoting the City	-	-	-	729,816	729,816
264.05 Library Purposes	-	-	-	393,299	393,299
264.06 Park Purposes	-	-	-	286,158	286,158
264.07 911 Purposes	-	-	-	572,489	572,489
264.09 BID Purposes	-	-	-	48,829	48,829
264.99 Rifle Range Improvement Grant	9,849	-	-	-	9,849
264.99 Municipal Highway and Bridge	-	-	-	1,706,452	1,706,452
264.99 Special Assessments Revolving Loan	-	-	-	3,392	3,392
265 SAFER Fund	-	-	-	46,625	46,625
264.99 Fire Capital Fund	-	-	-	744,467	744,467
	9,849	-	-	5,029,378	5,039,227
265 Committed					
265.99 Second Penny	-	1,167	-	-	1,167
265.99 Workforce Housing	-	-	-	-	-
265.99 Spearfish Economic Revolving Fund	-	-	-	2,018,589	2,018,589
265.99 Art in Public Places Fund	-	-	-	97,442	97,442
	-	1,167	-	2,116,031	2,117,198
266 Assigned					
266.01 Subsequent Year's Budget	2,132,975	-	-	-	2,132,975
266.10 Wildland Fire	367,588	-	-	-	367,588
266.97 Historical Procurement Project	88,286	-	-	-	88,286
	2,588,849	-	-	-	2,588,849
267 Unassigned	20,009,698	-	(1,104,565)	-	18,905,133
Total Fund Balances	\$ 24,110,827	\$ 1,167	\$ (1,104,565)	\$ 7,195,409	\$ 30,202,838

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(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 in the General Fund consist of expendable supplies held for consumption. Supply inventories are recorded at cost.

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

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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, 2023, total approximately \$5,000, \$3,000, and \$1,000 for the water, sewer, and solid waste funds, respectively. Included in utility accounts receivable at December 31, 2023, are unbilled accounts receivable totaling approximately \$76,000, \$135,000, and \$51,000 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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(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.

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued. The statement is effective for the City's year ending December 31, 2025. The City is currently evaluating the impact this statement will have on the financial statements.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which improves key components of the financial reporting model to enhance its effectiveness in providing information to the users of the financial statements. The statement redefines the information to be included in management's discussion and analysis, clarifies operating vs. nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses and changes in fund net position, provides guidance on the presentation of unusual or infrequent items, updates the requirements of presentation of major component unit information, and changes the presentation of the budgetary comparison schedules. The statement is effective for the City's year ending December 31, 2026. 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 16, 2024, 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.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(2) Deposits and Investments

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.

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

As of December 31, 2023, the City had the following investments:

Investments	Credit Rating	Maturity	Fair Value
<u>U.S. Government Securities</u>			
US Treasury Notes	AAA	3-5 years	\$ 8,193,550
US Treasury Bills		3 months	1,173,789
<u>External Investment Pools:</u>			
SDFIT	Unrated	N/A	1,108,720
Total Investments			10,476,059
<u>Other Investments:</u>			
Money Markets			1,080
			\$ 10,477,139

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, 2023, 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.

As of December 31, 2023, the City’s deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Primary Government</u>	<u>Bank Balance</u>
Insured - FDIC	\$ 761,047
Uninsured, collateralized in accordance with SDCL 4-6A-3	37,606,666
Total	\$ 38,367,713

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(2) Deposits and Investments

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.

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 of resources. Deferred outflows of resources represent consumption of net position that apply to a future period or periods. These items will not be recognized as outflows of resources until the applicable future period. Deferred outflows of resources consist of pension and OPEB activity.

In addition to liabilities, the governmental funds balance sheet and the statement of net position 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, leases, and pension and OPEB activity. 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, 2023:

Loan	Collateral	Rate	Maturity	Balance
Steele & Steele	Mortgage	2.00%	December 2023	2,437
Real Estate Center	Mortgage	2.00%	December 2023	1,744
SoDak Brewing	Business Assets	3.50%	December 2024	23,538
Atlas	Real Estate	2.00%	August 2052	1,992,387
Total				\$ 2,020,106

(5) Property Taxes

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The 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, 2023

(6) Changes in Capital Assets

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

<i>Governmental Activities:</i>	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Capital Assets, not being Depreciated:				
Land	\$ 14,259,165	\$ 120,000	\$ 52,674	\$ 14,326,491
Construction Work in Progress	18,972,116	7,337,106	598,207	25,711,015
Total Capital Assets, not being Depreciated	33,231,281	7,457,106	650,881	40,037,506
Capital Assets, being Depreciated:				
Buildings	22,467,221	281,556	-	22,748,777
Improvements Other Than Buildings	52,736,667	6,047,349	19,475	58,764,541
Machinery and Equipment	14,378,337	1,271,060	202,100	15,447,297
Total Capital Assets, being Depreciated	89,582,225	7,599,965	221,575	96,960,615
Less Accumulated Depreciation for:				
Buildings	7,722,797	446,436	-	8,169,233
Improvements Other Than Buildings	21,402,754	2,244,582	19,475	23,627,861
Machinery and Equipment	9,013,052	792,830	152,539	9,653,343
Total Accumulated Depreciation	38,138,603	3,483,848	172,014	41,450,437
Total Governmental Activities Capital Assets, being Depreciated, Net	51,443,622	4,116,117	49,561	55,510,178
Total Governmental Capital Assets, Net	\$ 84,674,903	\$ 11,573,223	\$ 700,442	\$ 95,547,684

Depreciation expense was charged to functions for the year ended December 31, 2023 as follows:

Culture and Recreation	\$ 731,573
Public Works	1,719,915
Public Safety	333,846
General Government	286,495
Intergovernmental	258,590
Economic Development	153,429
Total Depreciation Expense - Governmental	\$ 3,483,848

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(6) Changes in Capital Assets

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 8,087,363	\$ -	\$ -	\$ 8,087,363
Construction Work in Progress	4,892,912	5,215,614	610,306	9,498,220
Total Capital Assets, not being Depreciated	12,980,275	5,215,614	610,306	17,585,583
Capital Assets, being Depreciated:				
Buildings	12,899,216	-	-	12,899,216
Improvements Other Than Buildings	69,934,933	3,255,546	-	73,190,479
Machinery and Equipment	9,029,976	230,611	-	9,260,587
Total Capital Assets, being Depreciated	91,864,125	3,486,157	-	95,350,282
Less Accumulated Depreciation for:				
Buildings	7,555,330	266,501	-	7,821,831
Improvements Other Than Buildings	26,693,677	2,648,062	-	29,341,739
Machinery and Equipment	7,220,898	265,987	-	7,486,885
Total Accumulated Depreciation	41,469,905	3,180,550	-	44,650,455
Total Business-Type Activities Capital Assets, being Depreciated, Net				
	50,394,220	305,607	-	50,699,827
Total Business-Type Capital Assets, Net	\$ 63,374,495	\$ 5,521,221	\$ 610,306	\$ 68,285,410

Depreciation expense was charged to functions for the year ended December 31, 2023 as follows:

Sewer	\$ 1,380,863
Water	1,000,680
Airport	623,198
Solid Waste	108,505
Campground	24,641
Electric Production	42,663
Total Depreciation Expense - Business-Type	\$ 3,180,550

As of December 31, 2023, the City has the following significant commitments. The Exit 8 shared use path project has remaining commitments of approximately \$785,000 and is funded through the General Fund. The City Park bandshell project has remaining commitments of approximately \$630,000 and is funded through the General Fund. Colorado Boulevard sewer trunkline upsize project has remaining commitments of approximately \$1.9 million and is funded through the Sewer Fund. The Elkhorn lift station upgrade project has remaining commitments of approximately \$2.6 million and is funded through the Sewer Fund. The cured in place pipelining project has remaining commitments of approximately \$450,000 and is funded through the Sewer Fund. The wastewater treatment facility and EQ Basin automation project has remaining commitments of approximately \$242,000 and is funded through the Sewer Fund. The Frawley Pond dredging project has remaining commitments of approximately \$394,000 and is funded through the General Fund. The Exit 17 Water Well and Tank project has remaining commitments of approximately \$8.7 million and is funded through the Water Fund.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(7) Long-Term Debt

The following is a summary of the long-term debt activity for the year ending December 31, 2023:

	Balance 12/31/2022	Borrowings	Repayments	Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Sales Tax Refunding Bonds 2015	\$ 3,220,000	\$ -	\$ 535,000	\$ 2,685,000	\$ 555,000
Premium on Refunding Bonds	106,475	-	19,359	87,116	19,359
Sales Tax Revenue Bonds 2020	8,920,000	-	400,000	8,520,000	410,000
Premium on Revenue Bonds	304,791	-	17,095	287,696	17,094
Sales Tax Revenue Bonds 2022	7,090,000	-	265,000	6,825,000	280,000
Premium on Revenue Bonds	686,070	-	35,873	650,197	35,873
TID #1 Elkhorn Ridge	3,776,605	-	-	3,776,605	-
TID #4 Creekside	531,919	-	151,782	380,137	81,963
Accrued Interest - TID #1	10,083,731	1,282,081	663,253	10,702,559	663,253
Compensated Absences	752,800	910,475	831,637	831,638	831,638
Total Governmental Activities	35,472,391	2,192,556	2,918,999	34,745,948	2,894,180
Business-Type Activities:					
Water SRF Loan	797,066	-	349,289	447,777	357,215
Wastewater Revenue Bond 2020	2,553,317	-	315,676	2,237,641	322,979
Compensated Absences	130,396	216,477	173,436	173,437	173,437
Total Business-Type Activities	3,480,779	216,477	838,401	2,858,855	853,631
Total Primary Government	\$ 38,953,170	\$ 2,409,033	\$ 3,757,400	\$ 37,604,803	\$ 3,747,811

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, 2023, property tax revenues were \$663,253, \$176,559, and \$9,625 for TIDs #1, #4 and #6, respectively. Interest expenditures, excluding corresponding accruals, related to TID obligations totaled \$688,029 for the year ended December 31, 2023.

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(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	\$ 363,307	\$ 371,085	\$ 1,752,378
Pledged Revenue	3,296,507	4,421,148	13,019,486

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, 2023, 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. \$ 2,685,000

Unamortized deferred premium on Series 2015 Sales Tax Refunding Bonds 87,116

Total Series 2015 Sales Tax Refunding Bonds 2,772,116

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. 8,520,000

Unamortized deferred premium on Series 2020 Sales Tax Revenue Bonds 287,696

Total Series 2020 Sales Tax Revenue Bonds 8,807,696

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. 6,825,000

Unamortized deferred premium on Series 2022 Sales Tax Revenue Bonds 650,197

Total Series 2022 Sales Tax Revenue Bonds 7,475,197

CITY OF SPEARFISH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

(7) Long-Term Debt

Drinking Water Revenue Borrower Bonds, Series 2013 for \$3,254,000, matures 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 Gollither Water Tank construction. 447,777

Wastewater Revenue Bonds, Series 2020 for \$3,260,421, matures 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. 2,237,641

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. 380,137

Total Revenue Bonds and Other Obligations 25,897,169

Compensated Absences

General Fund 831,638
Water Fund 38,963
Electric Fund 13,324
Sewer Fund 98,613
Solid Waste Fund 13,052
Campground Fund 9,485

Total Compensated Absences 1,005,075

Accrued Interest (TID #1) 10,702,559

Total Long-Term Debt \$ 37,604,803

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(7) Long-Term Debt

The annual requirements to amortize long-term debt outstanding as of December 31, 2023, except for compensated absences and TID #1 accrued interest are as follows:

	Revenue Bonds		TID Obligations *		Total	
	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 563,122	1,997,520	\$ 686,031	\$ 81,963	\$ 1,249,153	\$ 2,079,483
2025	503,085	1,793,340	681,672	86,322	1,184,757	1,879,662
2026	452,544	1,745,421	677,080	3,867,519	1,129,624	5,612,940
2027	384,648	1,803,242	8,721,791	95,749	9,106,439	1,898,991
2028	137,165	1,346,593	3,899	25,189	141,064	1,371,782
2029-2033	1,328,719	5,254,091	-	-	1,328,719	5,254,091
2034-2038	753,125	5,074,836	-	-	753,125	5,074,836
2039-2043	178,305	2,725,384	-	-	178,305	2,725,384
Total	\$ 4,300,713	\$ 21,740,427	\$ 10,770,473	\$ 4,156,742	\$ 15,071,186	\$ 25,897,169

*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	Lease	Lease Interest
	December 31, 2023	Revenue	Revenue
Airport Hangars	\$ 279,832	\$ 14,735	\$ 5,514
Land	25,860	19,873	12,641
Towers	656,762	34,126	13,128
	\$ 962,454	\$ 68,734	\$ 31,283

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

	Principal	Interest
2024	\$ 75,649	\$ 24,471
2025	43,736	22,931
2026	39,499	16,345
2027	40,755	15,544
2028	32,008	14,808
2029-2033	187,678	63,270
2034-2038	230,215	42,431
2039-2043	158,506	21,694
2044-2048	83,221	9,976
2049-2053	46,802	3,710
2054-2058	22,738	953
2059-2063	1,647	11
Total	\$ 962,454	\$ 236,144

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(9) Interfund Transfers and Advances

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

	Transfers In	Transfers Out
General Fund	\$ 260,690	\$ 1,118,903
Second Penny Sales Tax Fund	600,000	-
Workforce Housing Project Fund	530,701	-
Water Fund	-	79,772
Electric Production Fund	-	15,897
Sewer Fund	-	614,312
Airport Fund	199,812	16,535
Solid Waste Fund	-	10,607
Campground Fund	-	5,463
Parking Fund	-	104
Hospitality Tax Fund	-	418,000
911 Emergency Fund	451,390	-
Fire Capital Fund	150,000	-
Special Assessments Revolving Fund	87,000	-
Total Transfers	\$ 2,279,593	\$ 2,279,593

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, 2023, were as follows:

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

In 2020, the General Fund advanced \$1,500,000 to the Workforce Housing Fund – TID #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, 2023

(10) Pension Plan

Plan Information:

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

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, 2023**

(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, 2023, 2022, and 2021 were **\$511,483**, \$443,643, and \$417,875, 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, 2023, 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, 2023 are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 39,919,014	\$ 6,789,555	\$ 46,708,569
Less: Proportionate Share of Total Pension Liability	(39,892,144)	(6,784,985)	(46,677,129)
Proportionate Share of Net Pension Asset	\$ 26,870	\$ 4,570	\$ 31,440

At December 31, 2023, the City reported an asset of \$31,440 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.322118 percent, which is an increase of .025257 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension revenue of \$576,438. At December 31, 2023, 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	\$ 891,187	\$ -
Changes in Assumption	1,074,895	1,571,257
Net Difference between Projected and Actual Earnings on Pension Plan Investments	209,318	-
City Contributions Subsequent to the Measurement Date	257,537	-
Total	\$ 2,432,937	\$ 1,571,257

Deferred outflow of resources includes \$257,537 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, 2024. 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, 2023**

(10) Pension Plan

2024	\$	428,161
2025		(476,755)
2026		608,515
2027		44,222
	\$	<u>604,143</u>

Actuarial Assumptions:

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

Inflation	2.50 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	1.91 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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(10) Pension Plan

Actuarial Assumptions:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yeild Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	100.0%	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 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:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension (Asset)/ Liability	\$ 6,444,128	\$ (31,440)	\$ (5,327,220)

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, 2023**

(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, 2023, 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
Total	105

The City’s total OPEB liability of \$254,098 was measured as of December 31, 2023 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, 2023 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	5.00 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, 2023 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, 2023. 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, 2023**

(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	\$ 279,017	\$ 254,098	\$ 232,330

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	\$ 226,288	\$ 254,098	\$ 287,336

Annual OPEB Cost and Changes in OPEB Liability:

The following table shows the financial components of the plan:

Service Cost	\$ 21,933
Interest	9,420
Difference between Expected and Actual	-
Changes of Assumptions	-
Benefit Payments	(17,147)
Change in Net OPEB Obligation (Expense)	14,206
OPEB Liability - Beginning of Year	239,892
OPEB Liability - End of Year	\$ 254,098

Deferred Outflows and Inflows of Resources Related to OPEB:

For the year ended December 31, 2023, the City recognized OPEB revenue of \$574. At December 31, 2023, 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	\$ 17,631	\$ 37,987
Changes in Assumption	40,870	35,424
Net Difference between Projected and Actual Earnings	-	-
City Contributions Subsequent to the Measurement Date	-	-
Total	\$ 58,501	\$ 73,411

CITY OF SPEARFISH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(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, 2023 to December 31, 2023 measurement period was determined as follows:

2024	\$	5,452
2025		5,452
2026		5,452
2027		(1,077)
2028		(5,431)
Thereafter		(24,758)
	\$	<u><u>(14,910)</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.

(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, 2023, the City managed its risks as follows:

Employee Health Insurance:

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

CITY OF SPEARFISH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(13) Risk Management

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, 2023, no claims for unemployment benefits were paid. At December 31, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

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, 2023**

		Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Revenue					
<i>Taxes:</i>					
311	General Property Taxes	\$ 2,912,000	\$ 2,912,000	\$ 2,913,543	\$ 1,543
313	General Sales and Use Taxes	11,450,000	11,450,000	12,109,370	659,370
314	Gross Receipts Tax	120,000	120,000	130,226	10,226
319	Penalties and Interest on Delinquent Taxes	3,000	3,000	3,678	678
320	Licenses and Permits	708,150	708,150	653,514	(54,636)
<i>Intergovernmental Revenue:</i>					
331	Federal Grants	1,075,000	1,075,000	56,817	(1,018,183)
334	State Grants	-	-	44,957	44,957
<i>State Shared Revenue:</i>					
335.01	Bank Franchise Tax	30,000	30,000	-	-
335.03	Liquor Tax Reversion	85,000	85,000	83,811	(1,189)
335.04	Motor Vehicle Licenses (5%)	125,000	125,000	142,086	17,086
335.06	Fire Insurance Premium Reversion	59,000	59,000	86,037	27,037
335.20	Other	175,000	175,000	252,281	77,281
<i>County Shared Revenue:</i>					
339	County Payments in Lieu of Taxes	207,379	207,379	207,379	-
<i>Charges for Goods and Services:</i>					
341	General Government	2,008,758	2,008,758	2,070,230	61,472
342	Public Safety	288,678	338,678	347,972	9,294
343	Highways and Streets	5,000	5,000	-	(5,000)
346	Culture and Recreation	712,700	712,700	1,106,069	393,369
348	Cemetery	20,700	20,700	35,414	14,714
349	Other	15,000	15,000		
<i>Fines and Forfeits:</i>					
351	Court Fines and Costs	1,500	1,500	-	(1,500)
352	Animal Control Fines	4,500	4,500		
359	Other	-	-	2,255	2,255
<i>Miscellaneous Revenue:</i>					
361	Earnings (Loss) on Deposits and Investments	10,500	10,500	1,008,838	998,338
362	Rentals	147,500	147,500	165,110	17,610
363	Special Assessments	125,150	125,150	124,204	(946)
367	Contributions and Donations - Private Sources	120,000	120,000	16,753	(103,247)
369	Other	17,000	17,000	-	(17,000)
Total Revenue		20,426,515	20,476,515	21,560,544	1,133,529

CITY OF SPEARFISH

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Expenditures				
<i>General Government:</i>				
411 Legislative	183,268	147,268	144,276	2,992
411.5 Contingency	500,000	500,000	-	500,000
Amount Transferred	-	(216,230)	-	(216,230)
412 Executive	305,403	380,403	369,044	11,359
414 Financial Administration	917,886	825,980	759,261	66,719
419 Other	1,948,080	1,968,080	1,899,376	68,704
<i>Public Safety:</i>				
421 Police	3,081,760	3,081,760	2,768,818	312,942
422 Fire	764,822	924,297	885,520	38,777
423 Protective Inspection	320,092	340,092	324,074	16,018
<i>Public Works:</i>				
431 Highways and Streets	2,957,337	5,429,243	5,297,886	131,357
437 Cemeteries	140,075	140,075	125,813	14,262
<i>Health and Welfare:</i>				
441 Health	86,368	86,368	76,655	9,713
<i>Culture and Recreation:</i>				
451 Recreation	1,657,032	1,668,662	1,667,496	1,166
452 Parks	3,405,408	3,405,408	2,336,243	1,069,165
455 Library	528,576	528,576	508,407	20,169
<i>Conservation and Development:</i>				
463 Urban Redevelopment and Housing	20,000	20,000	17,148	2,852
465 Economic Development and Assistance	305,175	341,175	339,787	1,388
480 Intergovernmental Expenditures	1,657,886	1,657,886	1,587,476	70,410
Total Expenditures	18,779,168	21,229,043	19,107,280	2,121,763
Excess (Deficiency) of Revenue over (under)				
Expenditures	1,647,347	(752,528)	2,453,264	3,205,792
Other Financing Sources (Uses):				
391.01 Transfers In	260,690	260,690	260,690	-
391.04 Compensation for Loss or Damaged Capital Assets	-	-	11,435	11,435
511 Transfers Out	(1,031,903)	1,118,903	(1,118,903)	(2,237,806)
Total Other Financing Sources (Uses)	(771,213)	(858,213)	(846,778)	(2,226,371)
Net Change in Fund Balance	876,134	(1,610,741)	1,606,486	979,421
Fund Balance - December 31, 2022	22,504,341	22,504,341	22,504,341	-
Fund Balance - December 31, 2023	\$ 23,380,475	\$ 20,893,600	\$ 24,110,827	\$ 979,421

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, 2023

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance
Revenue				
<i>Miscellaneous Revenue:</i>				
335.20 Other	\$ -	\$ -	\$ 37,467	\$ 37,467
361 Earnings on Deposits and Investments	-	-	9,362	9,362
367 Contributions and Donations - Private Sources	-	-	5,000	5,000
Total Revenue	-	-	51,829	51,829
Expenditures				
<i>Conservation and Development:</i>				
470 Debt Service	660,500	660,500	651,611	8,889
Total Expenditures	660,500	660,500	651,611	8,889
Excess (Deficiency) of Revenue over (under)				
Expenditures	(660,500)	(660,500)	(599,782)	(60,718)
Other Financing Sources (Uses):				
391.01 Transfers In	500,000	500,000	600,000	(100,000)
Total Other Financing Sources (Uses)	500,000	500,000	600,000	(100,000)
Net Change in Fund Balance	(160,500)	(160,500)	218	(160,718)
Fund Balance - December 31, 2022	949	949	949	-
Fund Balance - December 31, 2023	\$ (159,551)	\$ (159,551)	\$ 1,167	\$ (160,718)

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, 2023**

	2023	2022	2021	2020
City's Proportion of the Net Pension (Asset) Liability	0.32211800%	0.29686100%	0.28082500%	0.28594510%
City's Proportionate Share of Net Pension (Asset) Liability	\$ (31,440)	\$ (28,054)	\$ (2,150,640)	\$ (12,419)
City's Covered Payroll (Plan's Fiscal Year)	\$ 8,373,795	\$ 7,711,860	\$ 6,389,405	\$ 5,733,558
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	0.38%	0.36%	33.66%	0.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	100.10%	100.10%	105.52%	100.04%
	2019	2018	2017	2016
City's Proportion of the Net Pension (Asset) Liability	0.28270080%	0.28066060%	0.27449710%	0.28261130%
City's Proportionate Share of Net Pension (Asset) Liability	\$ (29,959)	\$ (6,545)	\$ (24,911)	\$ 954,633
City's Covered Payroll (Plan's Fiscal Year)	\$ 5,510,009	\$ 5,355,633	\$ 5,126,516	\$ 4,973,127
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	0.54%	0.12%	0.49%	19.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	100.09%	100.02%	100.10%	96.89%
	2015			
City's Proportion of the Net Pension (Asset) Liability	0.28167480%			
City's Proportionate Share of Net Pension (Asset) Liability	\$ (1,194,663)			
City's Covered Payroll (Plan's Fiscal Year)	\$ 4,754,528			
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	25.13%			
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	104.10%			

CITY OF SPEARFISH

**SCHEDULE OF THE CITY CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2023**

	2023	2022	2021	2020
Contractually Required Contribution	\$ 511,483	\$ 443,643	\$ 417,875	\$ 386,468
Contributions in Relation to the Contractually Required Contributions	511,483	443,643	417,875	386,468
Contributions Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 8,965,783	\$ 7,800,829	\$ 7,163,090	\$ 5,892,743
Contribution as a Percentage of Covered Payroll	5.70%	5.69%	5.83%	6.56%
	2019	2018	2017	2016
Contractually Required Contribution	\$ 362,661	\$ 358,320	\$ 338,397	\$ 331,356
Contributions in Relation to the Contractually Required Contributions	362,661	358,320	338,397	331,356
Contributions Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,531,139	\$ 5,479,568	\$ 5,168,469	\$ 5,091,419
Contribution as a Percentage of Covered Payroll	6.56%	6.54%	6.55%	6.51%
	2015			
Contractually Required Contribution	\$ 312,615			
Contributions in Relation to the Contractually Required Contributions	312,615			
Contributions Deficiency (Excess)	\$ -			
City's Covered Payroll	\$ 4,823,341			
Contribution as a Percentage of Covered Payroll	6.48%			

CITY OF SPEARFISH

**SCHEDULE OF THE CITY OPEB LIABILITY (UNAUDITED)
DECEMBER 31, 2023**

	2023	2022	2021
OPEB Liability	\$ 254,098	\$ 239,892	320,320
City's Covered Payroll	\$ 6,761,466	\$ 6,564,530	\$ 5,718,151
OPEB Liability as a Percentage of Covered Payroll	3.76%	3.65%	5.60%
Service Cost	\$ 21,933	24,927	24,201
Interest	9,420	7,105	6,889
Adjustment to Beginning Balance	-	-	-
Difference between Expected and Actual	-	(47,728)	-
Changes of Assumptions	-	(44,508)	-
Benefit Payments	(17,147)	(20,224)	(23,395)
Change in Net OPEB Obligation	14,206	(80,428)	7,695
OPEB Liability - Beginning of Year	239,892	320,320	312,625
OPEB Liability - End of Year	\$ 254,098	\$ 239,892	\$ 320,320

	2020	2019	2018
OPEB Liability	\$ 312,625	\$ 276,977	\$ 262,961
City's Covered Payroll	\$ 5,551,603	\$ 5,531,139	\$ 5,315,232
OPEB Liability as a Percentage of Covered Payroll	5.63%	5.01%	4.95%
Service Cost	\$ 12,466	\$ 12,103	\$ 7,360
Interest	11,342	11,307	6,814
Adjustment to Beginning Balance	-	-	(11,740)
Difference between Expected and Actual	845	5,044	42,367
Changes of Assumptions	36,619	5,842	49,057
Benefit Payments	(25,624)	(20,250)	(11,394)
Change in Net OPEB Obligation	35,648	14,046	82,464
OPEB Liability - Beginning of Year	276,977	262,931	180,473
OPEB Liability - End of Year	\$ 312,625	\$ 276,977	\$ 262,937

CITY OF SPEARFISH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING PROGRESS (OPEB) DECEMBER 31, 2023

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

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

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

Actuarial Method Changes: No changes in actuarial methods were made since the prior valuation.

CITY OF SPEARFISH

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING
PROGRESS (OPEB)
DECEMBER 31, 2023**

Notes to Required Supplementary Information

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

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

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

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

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

CITY OF SPEARFISH

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AND SCHEDULE OF FUNDING
PROGRESS (OPEB)
DECEMBER 31, 2023**

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+ – 5.00 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, 2023**

	Hospitality Tax Fund	Library Gift Fund	Convention Center Fund
Assets			
101 Cash and Cash Equivalents	\$ 736,420	\$ 393,299	\$ 12,694
104 Investments	-	-	25,857
110 Sales Taxes Receivable	9,774	-	-
115 Accounts Receivable	-	-	-
121 Special Assessments Receivable	-	-	10,278
128 Notes Receivable	-	-	-
132 Due from Other Governments	-	-	-
Total Assets	\$ 746,194	\$ 393,299	\$ 48,829
Liabilities, Deferred Inflows of Resources and Fund Balances			
<i>Liabilities</i>			
202 Accounts Payable	\$ 16,378	\$ -	\$ -
216 Accrued Wages Payable	-	-	-
219 Amounts Held for Others	-	-	-
Total Liabilities	16,378	-	-
<i>Deferred Inflows of Resources</i>			
247 Lease Related Deferred Inflows	-	-	-
Total Deferred Inflows of Resources	-	-	-
<i>Fund Balances</i>			
<i>263 Nonspendable:</i>			
263.51 Perpetual Care Cemetery	-	-	-
<i>264 Restricted:</i>			
264.01 Debt Service	-	-	-
264.03 Perpetual Care Cemetery	-	-	-
264.04 Promoting the City	729,816	-	-
264.05 Library Purposes	-	393,299	-
264.06 Park Purposes	-	-	-
264.07 911 Purposes	-	-	-
264.08 Fire Capital Fund	-	-	-
264.09 Business Improvement District Purposes	-	-	48,829
264.10 Municipal Highway and Bridge	-	-	-
264.11 SAFER Fund	-	-	-
264.99 Special Assessments Revolving Loan Fund	-	-	-
<i>265 Committed:</i>			
265.99 Spearfish Economic Revolving Fund	-	-	-
265.99 Art in Public Places Fund	-	-	-
Total Fund Balances	729,816	393,299	48,829
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 746,194	\$ 393,299	\$ 48,829

911 Emergency Fund	Special Assessments Revolving Fund	Spearfish Economic Revolving Fund	Special Park Gift Fund	Art in Public Places Fund
\$ 570,196	\$ 2,417	\$ 618	\$ 93,896	\$ 97,442
-	-	-	207,262	-
-	-	-	-	-
-	975	-	-	-
-	-	-	-	-
-	-	2,020,106	-	-
22,766	-	-	-	-
\$ 592,962	\$ 3,392	\$ 2,020,724	\$ 301,158	\$ 97,442
\$ 5,942	\$ -	\$ -	\$ -	\$ -
14,531	-	-	-	-
-	-	-	15,000	-
20,473	-	-	15,000	-
-	-	2,135	-	-
-	-	2,135	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
572,489	-	-	286,158	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,392	-	-	-
-	-	2,018,589	-	-
-	-	-	-	97,442
572,489	3,392	2,018,589	286,158	97,442
\$ 592,962	\$ 3,392	\$ 2,020,724	\$ 301,158	\$ 97,442

CITY OF SPEARFISH

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	Municipal Highway and Bridge Fund	PD Equitable Sharing Fund	Fire Capital Fund
Assets			
101 Cash and Cash Equivalents	\$ 761,615	\$ -	\$ 744,467
104 Investments	1,087,765	-	-
110 Sales Taxes Receivable	-	-	-
115 Accounts Receivable	-	-	-
121 Special Assessments Receivable	-	-	-
128 Notes Receivable	-	-	-
132 Due from Other Governments	30,539	-	-
Total Assets	\$ 1,879,919	\$ -	\$ 744,467
Liabilities, Deferred Inflows of Resources and Fund Balances			
<i>Liabilities</i>			
202 Accounts Payable	\$ 173,467	\$ -	\$ -
216 Accrued Wages Payable	-	-	-
219 Amounts Held for Others	-	-	-
Total Liabilities	173,467	-	-
<i>Deferred Inflows of Resources</i>			
247 Lease Related Deferred Inflows	-	-	-
Total Deferred Inflows of Resources	-	-	-
<i>Fund Balances</i>			
<i>263 Nonspendable:</i>			
263.51 Perpetual Care Cemetery	-	-	-
<i>264 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	-	-	744,467
264.09 Business Improvement District Purposes	-	-	-
264.10 Municipal Highway and Bridge	1,706,452	-	-
264.11 SAFER Fund	-	-	-
264.99 Special Assessments Revolving Loan Fund	-	-	-
<i>265 Committed:</i>			
265.99 Spearfish Economic Revolving Fund	-	-	-
265.99 Art in Public Places Fund	-	-	-
Total Fund Balances	1,706,452	-	744,467
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,879,919	\$ -	\$ 744,467

SAFER Fund	TID #1 Elkhorn Ridge Debt Fund	TID #4 Creekside Estates Debt Fund	Cemetery Perpetual Care Fund	Total
\$ 46,625	\$ 3,511	\$ 719	\$ 43,621	\$ 3,507,540
-	-	-	500,000	1,820,884
-	-	-	-	9,774
-	-	-	-	975
-	-	-	-	10,278
-	-	-	-	2,020,106
-	-	-	-	53,305
\$ 46,625	\$ 3,511	\$ 719	\$ 543,621	\$ 7,422,862
\$ -	\$ -	\$ -	\$ -	\$ 195,787
-	-	-	-	14,531
-	-	-	-	15,000
-	-	-	-	225,318
-	-	-	-	2,135
-	-	-	-	2,135
-	-	-	50,000	50,000
-	3,511	719	-	4,230
-	-	-	493,621	493,621
-	-	-	-	729,816
-	-	-	-	393,299
-	-	-	-	286,158
-	-	-	-	572,489
-	-	-	-	744,467
-	-	-	-	48,829
-	-	-	-	1,706,452
46,625	-	-	-	46,625
-	-	-	-	3,392
-	-	-	-	2,018,589
-	-	-	-	97,442
46,625	3,511	719	543,621	7,195,409
\$ 46,625	\$ 3,511	\$ 719	\$ 543,621	\$ 7,422,862

CITY OF SPEARFISH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Hospitality Tax Fund	Library Gift Fund	Convention Center Fund
Revenue:			
<i>Taxes:</i>			
311 General Property Taxes	\$ -	\$ -	\$ -
313 General Sales and Use Taxes	910,116	-	-
315 Amusement Taxes	-	-	187,100
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	-	12,385	-
<i>Miscellaneous Revenue:</i>			
361 Earnings (Loss) on Deposits and Investments	26,275	14,427	3,252
362 Rentals	-	-	-
363 Special Assessments	-	-	-
367 Contributions and Donations - Private Sources	-	46,536	18,712
369 Other	-	(76)	(400)
Total Revenue	936,391	73,272	208,664
Expenditures:			
<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	707,395	-	-
452 Parks	-	-	-
455 Library	-	37,390	-
<i>Conservation and Development:</i>			
465 Economic Development and Assistance	870	-	226,551
470 Debt Service	-	-	-
485 Capital Outlay	-	-	-
Total Expenditures	708,265	37,390	226,551
Excess (Deficiency) of Revenue Over (Under) Expenditures	228,126	35,882	(17,887)
Other Financing Sources (Uses):			
391.01 Transfers In	-	-	-
511 Transfers Out	(418,000)	-	-
Total Other Financing Sources (Uses)	(418,000)	-	-
Net Change in Fund Balances	(189,874)	35,882	(17,887)
Fund Balances, December 31, 2022	919,690	357,417	66,716
Fund Balances, December 31, 2023	\$ 729,816	\$ 393,299	\$ 48,829

911 Emergency Fund	Special Assessments Revolving Fund	Spearfish Economic Revolving Fund	Special Park Gift Fund	Art in Public Places Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
133,369	-	-	-	-
-	-	-	-	-
-	-	-	-	19,939
-	-	-	-	-
-	-	-	-	-
35,986	87	40,736	10,562	3,862
-	-	9,105	-	-
-	425	-	-	-
-	-	-	221,065	-
-	-	-	-	-
169,355	512	49,841	231,627	23,801
708,659	-	-	-	-
-	-	-	-	-
-	(1,325)	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	10,358	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	169,496	-
708,659	(1,325)	-	179,854	-
(539,304)	1,837	49,841	51,773	23,801
451,390	-	87,000	-	-
-	-	-	-	-
451,390	-	87,000	-	-
(87,914)	1,837	136,841	51,773	23,801
660,403	1,555	1,881,748	234,385	73,641
\$ 572,489	\$ 3,392	\$ 2,018,589	\$ 286,158	\$ 97,442

CITY OF SPEARFISH

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Municipal Highway and Bridge Fund	PD Equitable Sharing Fund	Fire Capital Fund
Revenue:			
<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	-	-	-
334 State Grants	444,648	-	-
335.08 Local Government Highway and Bridge Fund	178,530	-	-
335.09 911 Remittances	-	-	-
<i>Charges for Goods and Services:</i>			
342 Public Safety	-	-	237,428
346 Culture and Recreation	-	-	-
348 Cemeteries	-	-	-
<i>Fines and Forfeits:</i>			
354 Library	-	-	-
<i>Miscellaneous Revenue:</i>			
361 Earnings (Loss) on Deposits and Investments	141,207	109	27,256
362 Rentals	-	-	-
363 Special Assessments	-	-	-
367 Contributions and Donations - Private Sources	-	-	-
369 Other	-	-	-
Total Revenue	764,385	109	264,684
Expenditures:			
<i>Public Safety:</i>			
421 Police	-	2,763	-
422 Fire	-	-	8,389
<i>Public Works:</i>			
431 Highways and Streets	2,731	-	-
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	2,110,852	-	49,975
Total Expenditures	2,113,583	2,763	58,364
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,349,198)	(2,654)	206,320
Other Financing Sources (Uses):			
391.01 Transfers In	-	-	150,000
511 Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	150,000
Net Change in Fund Balances	(1,349,198)	(2,654)	356,320
Fund Balances, December 31, 2022	3,055,650	2,654	388,147
Fund Balances, December 31, 2023	\$ 1,706,452	\$ -	\$ 744,467

SAFER Fund	TID #1 Elkhorn Ridge Debt Fund	TID #4 Creekside Estates Debt Fund	Cemetery Perpetual Care Fund	Total
\$ -	\$ 663,253	\$ 176,559	\$ -	\$ 839,812
-	-	-	-	910,116
-	-	-	-	187,100
-	90	42	-	132
50,590	-	-	-	50,590
-	-	-	-	444,648
-	-	-	-	178,530
-	-	-	-	133,369
-	-	-	-	237,428
-	-	-	-	19,939
-	-	-	29,402	29,402
-	-	-	-	12,385
1,140	2,683	647	-	308,229
-	-	-	-	9,105
-	-	-	-	425
-	-	-	-	286,313
-	-	-	-	(476)
51,730	666,026	177,248	29,402	3,647,047
-	-	-	-	711,422
48,899	-	-	-	57,288
-	-	-	-	1,406
-	-	-	1,050	1,050
-	-	-	-	707,395
-	-	-	-	10,358
-	-	-	-	37,390
-	-	-	-	227,421
-	663,253	176,559	-	839,812
-	-	-	-	2,330,323
48,899	663,253	176,559	1,050	4,923,865
2,831	2,773	689	28,352	(1,276,818)
-	-	-	-	688,390
-	-	-	-	(418,000)
-	-	-	-	270,390
2,831	2,773	689	28,352	(1,006,428)
43,794	738	30	515,269	8,201,837
\$ 46,625	\$ 3,511	\$ 719	\$ 543,621	\$ 7,195,409

OTHER REPORTS



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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, 2023, 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 16, 2024.

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 #2023-001, 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

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.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 16, 2024

CITY OF SPEARFISH

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

SCHEDULE OF FINDINGS

Material Weakness

2023-001 FINDING: Audit Adjustments

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.

Repeat Finding from Prior Year: Yes, prior year finding 2022-001.

Recommendation: We recommend that management consider the following:

- a. Management should continue to review and approve the pension entries.
- b. Approve and adjust all lease entries related to GASB 87.
- c. Capital assets should be reviewed to make sure all additions and disposals are properly reflected, including the activity within TIF Funds and gain/loss accounts.

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

MANAGEMENT RESPONSE



CITY OF SPEARFISH

**STATUS OF PRIOR YEAR FINDINGS
DECEMBER 31, 2023**

The City respectfully submits the following summary schedule of prior audit findings from December 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

2022-001 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



CITY OF SPEARFISH

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2023**

The City respectfully submits the following corrective action plan regarding findings from the December 31, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2023-001 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