

City of Alcester

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

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

City of Alcester
City Officials
December 31, 2022

Mayor:

Dan Haeder

Governing Board:

Cyndi Peeples

Kyle VandenHull

Lukas Driesen

Darla Reppe

Finance Officer:

Pat Jurrens

City of Alcester
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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Alcester
Union County, 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 Alcester, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 16, 2024. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these component units was not audited.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alcester’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alcester’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alcester’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alcester's financial statements are free of 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 determination of financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Prior and Current Year Audit Findings as item 2022-001.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit. The City of Alcester's response to the finding identified in our audit is described in the accompanying Schedule of Prior and Current Audit Findings. The City of Alcester's response was not subjected to the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

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

Elk Point, South Dakota
May 16, 2024

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

Schedule of Prior Audit Findings

There are no prior audit findings.

Schedule of Current Audit Findings

Audit Finding Number 2022-001 – Compliance Finding

Expenditures were paid in excess of appropriations for some departments.

Criteria:

SDCL 9-12-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance specially provided.

Condition Found:

In 2022, the expenditures paid from the General Fund exceeded amounts budgeted in 3 different functions.

Recommendation:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Management's Response:

The City of Alcester will monitor the budgets of each fund more closely to ensure that overspending does not occur. If expenditures are anticipated to exceed the annual appropriation, the City of Alcester will adopt a supplemental appropriation to utilize unobligated fund balances.



Independent Auditor's Report

City Council
City of Alcester
Union County, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and 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 Alcester, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the city's basis financial statements as listed in the Table of Contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Alcester. Accordingly, we do not express opinions on those financial statements.

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcester, South Dakota as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Alcester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Disclaimer of Opinion of the Aggregate Discretely Presented Component Units

The financial statements of the Alcester Housing and Redevelopment commission has not been audited, and we were not engaged to audit the Alcester Housing and Redevelopment Commission's financial statements as part of the City's basic financial statements. The Alcester Housing and Redevelopment Commission financial activities are included in the City's basic financial statements as a part of the discretely presented component units and represent the assets, net position, and revenues of the City's aggregate discretely presented component units.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Budgetary Comparison Schedules, the Schedule of the City Proportionate Share of the Net Pension Liability (Asset), and Schedule of the City's Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 basis financial statements. The Combining Nonmajor Fund Financial Statements as listed in the Table of Contents 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 related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 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 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.



Elk Point, South Dakota
May 16, 2024

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Management's Discussion and Analysis

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

Financial Highlights

During the year, the City of Alcester revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$2,245,714 and governmental and business-type program expenditures were \$1,940,804 which led to an increase in net position of \$304,910.

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:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status of the City of Alcester.
2. The remaining statements are fund financial statements that focus on individual parts of City government, reporting the City's operations in more detail than the government-wide statements.
 - A. The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - B. Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has four proprietary funds – the Water Fund, the Sewer Fund, the Garbage Fund and the Golf Course Fund. City of Alcester also has a component unit – The Alcester Housing and Redevelopment Unit.

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 non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the City of Alcester'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.

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Figure A-2

Major Features of the City of Alcester's Government-wide and Fund Financial 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, the water, sewer and garbage systems and the golf course.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

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 of Alcester's net position and how they have changed. Net position – the difference between the City of Alcester's assets and liabilities – is one way to measure the City of Alcester's financial health or position.

1. Increases or decreases in the City of Alcester's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
2. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City of Alcester'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:

1. Governmental Activities -- This category includes most of the City of Alcester'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.
2. Business-type Activities -- The City charges a fee to customers to help cover the costs of certain services it provides. The City of Alcester's water, sewer, golf course, and garbage systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Alcester'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.

1. State Law requires some of the funds.
2. 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.

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

The City has two kinds of funds:

1. **Governmental Funds** – Most of the City of Alcester’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Alcester’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.

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

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Financial Analysis of the City as a Whole

Table A-1
City of Alcester
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2021	2022	2021	2022	2021	2022	Change 2021-2022
Current and Other Assets	\$ 887,136	\$ 608,209	\$ 453,904	\$ 401,911	\$ 1,341,040	\$ 1,010,120	-24.68%
Capital Assets (Net of Depreciation)	3,849,286	3,925,369	1,567,845	1,706,114	5,417,131	5,631,483	3.96%
Total Assets	4,736,422	4,533,578	2,021,749	2,108,025	6,758,171	6,641,603	-1.72%
Pension Related Deferred Outflows	154,245	152,488	--	--	154,245	152,488	-1.14%
Total Deferred Outflows or Resources	154,245	152,488	--	--	154,245	152,488	-1.14%
Long-Term Liabilities Outstanding	802,147	731,863	365,000	625,811	1,167,147	1,357,674	16.32%
Other Liabilities	490,764	--	3,450	12,475	494,214	12,475	-97.48%
Total Liabilities	1,292,911	731,863	368,450	638,286	1,661,361	1,370,149	-17.53%
Pension Related Deferred Inflows	233,071	101,048	--	--	233,071	101,048	-56.64%
Total Deferred Inflows of Resources	233,071	101,048	--	--	233,071	101,048	-56.64%
Net Investment in Capital Assets	3,047,139	3,193,506	1,212,845	1,080,303	4,259,984	4,273,809	0.32%
Restricted	207,432	256,907	96,181	109,035	303,613	365,942	20.53%
Unrestricted	110,114	402,742	344,273	280,401	454,387	683,143	50.34%
Total Net Position	3,364,685	3,853,155	1,653,299	1,469,739	5,017,984	5,322,894	6.08%
Beginning Net Position	2,423,127	3,364,685	1,511,217	1,653,299	3,934,344	5,017,984	27.54%
Increase (Decrease) in Net Position	\$ 941,558	\$ 488,470	\$ 142,082	\$ (183,560)	\$ 1,083,640	\$ 304,910	-71.86%
Percentage of Increase (Decrease) in Net Position	38.86%	14.52%	9.40%	-11.10%	27.54%	6.08%	

This section explains the differences between the current and prior years' assets, liabilities, and changes in net position.

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 revenue bonds, notes payable, and state revolving loans have been reported in this manner on the Statement of Net position. The difference between the City of Alcester's assets and liabilities is its net position.

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Changes in Net Position

The City of Alcester’s total revenues (excluding special items) totaled \$2,245,710. Approximately 42% of the City’s revenue comes from charges for services with another 29% from property taxes. (See Table A-2).

Table A-2
City of Alcester
Sources of Revenues
Fiscal Year 2022

Charges For Services	\$	946,898	42.17%
Taxes		659,292	29.36%
Capital Grants and Contributions		474,836	21.14%
Operating Grants & Contributions		69,032	3.07%
Other General Revenues		60,191	2.68%
State Sources		26,341	1.17%
County Sources		5,304	0.24%
Unrestricted Investment Earnings		3,816	0.17%
 Total Revenue	 \$	 2,245,710	 100.00%

The city’s expenses totaled \$1,940,800. The City’s expenses cover a range of services. (See Table A-3).

Table A-3
City of Alcester
Statement of Expenditures
Fiscal Year 2022

Golf course	\$	663,118	34.17%
General government		255,607	13.17%
Public works		245,900	12.67%
Sewer		211,338	10.89%
Water		206,160	10.62%
Public safety		176,960	9.12%
Culture and recreation		115,377	5.94%
Electric		38,557	1.99%
Interest on long-term debt		27,383	1.41%
Health and welfare		400	0.02%
 Total Expenditures	 \$	 1,940,800	 100.00%

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Governmental and Business-Type Activities

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

Table A-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 70,958	\$ 36,670	\$ 703,115	\$ 910,228	\$ 774,073	\$ 946,898	22.33%
Operating Grants/Contributions	1,036,839	69,032	--	--	1,036,839	69,032	-93.34%
Capital Grants and Contributions	--	474,836	--	--	--	474,836	100.00%
General Revenues							
Taxes	598,936	659,292	--	--	598,936	659,292	10.08%
Revenue State Sources	28,922	26,341	--	--	28,922	26,341	-8.92%
Revenue County Shared Sources	--	5,304	--	--	--	5,304	100.00%
Other general revenues	45,103	60,191	--	--	45,103	60,191	33.45%
Unrestricted Investment Earnings	4,014	3,431	130	385	4,144	3,816	-7.92%
	<u>1,784,772</u>	<u>1,335,097</u>	<u>703,245</u>	<u>910,613</u>	<u>2,488,017</u>	<u>2,245,710</u>	<u>-9.74%</u>
Expenses							
General government	230,808	255,607	--	--	230,808	255,607	10.74%
Public safety	165,043	176,960	--	--	165,043	176,960	7.22%
Public works	250,090	245,900	--	--	250,090	245,900	-1.68%
Health and welfare	400	400	--	--	400	400	0.00%
Culture and recreation	131,703	115,377	--	--	131,703	115,377	-12.40%
Interest on long-term debt	3,670	27,383	--	--	3,670	27,383	646.13%
Water	--	--	179,841	206,160	179,841	206,160	14.63%
Garbage	--	--	40,363	38,557	40,363	38,557	-4.47%
Sewer	--	--	181,453	211,338	181,453	211,338	16.47%
Golf course	--	--	221,006	663,118	221,006	663,118	200.05%
	<u>781,714</u>	<u>821,627</u>	<u>622,663</u>	<u>1,119,173</u>	<u>1,404,377</u>	<u>1,940,800</u>	<u>38.20%</u>
Excess (Deficiency)							
Before Transfers	1,003,058	513,470	80,582	(208,560)	1,083,640	304,910	-71.86%
Transfers	<u>(61,500)</u>	<u>(25,000)</u>	<u>61,500</u>	<u>25,000</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	941,558	488,470	142,082	(183,560)	1,083,640	304,910	-71.86%
Beginning Net Position	<u>2,423,127</u>	<u>3,364,685</u>	<u>1,511,217</u>	<u>1,653,299</u>	<u>3,934,344</u>	<u>5,017,984</u>	<u>27.54%</u>
Ending Net Position	<u>\$ 3,364,685</u>	<u>\$ 3,853,155</u>	<u>\$ 1,653,299</u>	<u>\$ 1,469,739</u>	<u>\$ 5,017,984</u>	<u>\$ 5,322,894</u>	<u>6.08%</u>

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Governmental Activities

The decrease in the governmental revenues was 33.7%, mainly due to decreases in operating grants and contributions. Increase in the governmental expenses was 4.9%, mainly due to increases in interest on long-term debt, general government, and public safety.

Business-Type Activities

Revenues of the City’s business type activities increased by 22.8% due to a larger increase in charges for services and expenses increased by 44.4% mainly due to larger expenses related to the golf course.

Financial Analysis of the City’s Funds

The financial analysis of the City of Alcester funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City’s maintains five governmental funds (two major and three non-major) – General, Community Center, the Library Special Revenue, CDBG Special Revenue and 2nd Cent Sales Tax. The City maintains four business-type funds – Water, Sewer, Golf Course and Garbage Funds.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget. This amendment was for supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

Capital Asset Administration

By the end of 2022, the City had invested \$5,631,483 (net of depreciation) in a broad range of capital assets, including, land, construction in progress, buildings and improvements, various machinery and equipment, and library books. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$214,353.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 274,150	\$ 274,150	\$ 50,396	\$ 50,396	\$ --	0.00%
Construction in progress	3,070,904	3,212,068	114,543	315,712	342,333	159.71%
Buildings & Improvements	249,758	237,389	1,326,637	1,266,461	(72,545)	-33.84%
Machinery & Equipment	217,487	163,188	76,268	73,545	(57,022)	-26.60%
Library Books	36,987	38,574	--	--	1,587	0.74%
Total Capital Assets	<u>\$ 3,849,286</u>	<u>\$ 3,925,369</u>	<u>\$ 1,567,844</u>	<u>\$ 1,706,114</u>	<u>\$ 214,353</u>	<u>100.00%</u>

This year’s capital asset purchases included the new park ballfield building, a pipe locator, new library books, and a new irrigation valve, and changes in construction in process of Wastewater Facility and Community Center.

City of Alcester
Management Discussion and Analysis (MD&A)
December 31, 2022

Long-Term Debt

At the end of the year, the City has \$1,357,674 in general long-term obligations. This is a total dollar change of \$200,526. See individual balances as shown on Table A-6 below.

Table A-6
Outstanding Debt and Obligations

	<u>2021</u>	<u>2022</u>	<u>Total Dollar Change</u>	<u>Total % Change</u>
Governmental Activities				
Revenue Bonds	\$ 785,828	\$ 723,703	\$ (62,125)	-7.91%
Notes Payable	16,320	8,160	(8,160)	-50.00%
Total Outstanding Debt	<u>\$ 802,148</u>	<u>\$ 731,863</u>	<u>\$ (70,285)</u>	<u>-8.76%</u>
Business-Type Activities				
Revenue Bonds	\$ 355,000	\$ 340,000	\$ (15,000)	-4.23%
State Revolving Loans	--	285,811	285,811	100.00%
Total Outstanding Debt	<u>\$ 355,000</u>	<u>\$ 625,811</u>	<u>\$ 270,811</u>	<u>76.28%</u>

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 of Alcester's finances and to demonstrate the City of Alcester's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Alcester's business office, P.O. Box 318, Alcester, SD 57001.

City of Alcester
Statement of Net Position
December 31, 2022

	Primary Government			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
Assets:				
Cash and cash equivalents	\$ 564,069	\$ 229,573	\$ 793,642	\$ 17,453
Investments	22,000	--	22,000	--
Taxes receivable	4,309	--	4,309	--
Accounts receivable, net	--	32,612	32,612	--
Due from other governments	--	43,166	43,166	--
Due from state government	8,071	--	8,071	--
Restricted assets:				
Cash	--	96,560	96,560	--
Deposits	--	--	--	1,000
Net pension asset	1,679	--	1,679	--
Notes receivable	8,081	--	8,081	--
Capital assets:				
Land and construction in process	3,486,218	366,108	3,852,326	--
Other capital assets, net of depreciation	439,151	1,340,006	1,779,157	205,000
Total Assets	4,533,578	2,108,025	6,641,603	223,453
Deferred Outflows of Resources:				
Pension related deferred outflows	152,488	--	152,488	--
Liabilities:				
Accounts payable and other current liabilities	--	12,475	12,475	--
Noncurrent liabilities:				
Due within one year	66,818	22,988	89,806	12,771
Due in more than one year	665,045	602,823	1,267,868	--
Total Liabilities	731,863	638,286	1,370,149	12,771
Deferred Inflows of Resources:				
Pension related deferred inflows	101,048	--	101,048	--
Net Position:				
Net investment in capital assets	3,193,506	1,080,303	4,273,809	192,229
Restricted for:				
Debt services	--	96,560	96,560	--
Community development	127,818	--	127,818	--
Library operations	29,921	--	29,921	--
Community Center	46,049	--	46,049	--
SDRS pension purposes	53,119	--	53,119	--
Customer deposits	--	12,475	12,475	--
Unrestricted	402,742	280,401	683,143	18,453
Total Net Position	\$ 3,853,155	\$ 1,469,739	\$ 5,322,894	\$ 210,682

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit Housing & Redevelopment
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 255,607	\$ 12,439	\$ --	\$ --	\$ (243,168)	\$ --	\$ (243,168)	
Public safety	176,960	447	--	--	(176,513)	--	(176,513)	
Public works	245,900	11,544	69,032	--	(165,324)	--	(165,324)	
Health and welfare	400	--	--	--	(400)	--	(400)	
Culture and recreation	115,377	12,240	--	474,836	371,699	--	371,699	
Interest on long-term debt	27,383	--	--	--	(27,383)	--	(27,383)	
Total Governmental Activities	821,627	36,670	69,032	474,836	(241,089)	--	(241,089)	
Business-type Activities:								
Water	206,160	240,848	--	--	--	34,688	34,688	
Garbage	38,557	46,735	--	--	--	8,178	8,178	
Sewer	211,338	113,235	--	--	--	(98,103)	(98,103)	
Golf Course	663,118	509,410	--	--	--	(153,708)	(153,708)	
Total Business-Type Activities	1,119,173	910,228	--	--	--	(208,945)	(208,945)	
Total Primary Government	\$ 1,940,800	\$ 946,898	\$ 69,032	\$ 474,836	(241,089)	(208,945)	(450,034)	
Component Units:								
Housing and redevelopment	\$ 12,383	\$ 323,184						\$ 310,801
General Revenues:								
Taxes:								
Property tax					404,126	--	404,126	--
Sales tax					255,166	--	255,166	--
State shared revenues					26,341	--	26,341	--
County shared revenues					5,304	--	5,304	--
Unrestricted investment earnings					3,431	385	3,816	--
Miscellaneous revenue					60,191	--	60,191	--
Transfers					(25,000)	25,000	--	--
Total General Revenues and Transfers					729,559	25,385	754,944	--
Change in Net position					488,470	(183,560)	304,910	310,801
Net Position-Beginning of Year					3,364,685	1,653,299	5,017,984	(100,119)
Net Position-End of Year					\$ 3,853,155	\$ 1,469,739	\$ 5,322,894	\$ 210,682

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

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

	<u>General Fund</u>	<u>Capital Project Community Center Fund</u>	<u>Non Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 333,505	\$ 46,049	\$ 184,515	\$ 564,069
Investments-certificates of deposit	--	--	22,000	22,000
Taxes receivable:				
Delinquent	4,309	--	--	4,309
Due from county governments	--	--	384	384
Due from state government	7,687	--	--	7,687
Due from other funds	--	--	8,160	8,160
Note receivable	--	--	8,081	8,081
Total Assets	<u>\$ 345,501</u>	<u>\$ 46,049</u>	<u>\$ 223,140</u>	<u>\$ 614,690</u>
Liabilities and Fund Balances:				
Due to other funds				
CDBG revolving loan fund	\$ --	\$ --	\$ 8,160	\$ 8,160
Total Liabilities	<u>--</u>	<u>--</u>	<u>8,160</u>	<u>8,160</u>
Deferred Inflows of Resources:				
Property taxes	<u>4,309</u>	<u>--</u>	<u>--</u>	<u>4,309</u>
Total Deferred Inflows of Resources	<u>4,309</u>	<u>--</u>	<u>--</u>	<u>4,309</u>
Fund Balances:				
Nonspendable-note receivable	--	--	8,081	8,081
Restricted				
Community development	--	--	127,818	127,818
Library	--	--	29,921	29,921
Community center	--	46,049	--	46,049
Committed	--	--	49,160	49,160
Unassigned	<u>341,192</u>	<u>--</u>	<u>--</u>	<u>341,192</u>
Total Fund Balances	<u>341,192</u>	<u>46,049</u>	<u>214,980</u>	<u>602,221</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 345,501</u>	<u>\$ 46,049</u>	<u>\$ 223,140</u>	<u>\$ 614,690</u>

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

City of Alcester

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

Total Fund Balances - Government Funds \$ 602,221

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

Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds. 1,679

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,925,369

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 152,488

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Notes payable	(8,160)	
Revenue bonds	<u>(723,703)</u>	(731,863)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are not deferred in the funds. 4,309

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (101,048)

Net Position - Governmental Funds \$ 3,853,155

City of Alcester

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

	<u>General Fund</u>	<u>Capital Project Community Center Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes				
General property taxes	\$ 404,831	\$ --	\$ --	\$ 404,831
General sales taxes	127,583	--	127,583	255,166
Licenses and permits	10,775	--	--	10,775
Intergovernmental revenue				
Federal grants	69,032	--	--	69,032
State shared revenues				
Bank franchise tax	5,510	--	--	5,510
Motor vehicles licenses	14,750	--	--	14,750
Liquor tax reversion	6,081	--	--	6,081
Local government highway and bridge	6,571	--	--	6,571
County shared revenues	382	--	--	382
County wheel tax	3,605	--	--	3,605
Other	1,699	--	--	1,699
Charges for goods and services				
General government	1,664	--	--	1,664
Highways and streets	180	--	--	180
Culture and recreation	12,240	--	--	12,240
Cemetery	4,411	--	--	4,411
Fines and forfeits				
Court fines and costs	447	--	--	447
Miscellaneous revenue				
Investment earnings	2,777	145	509	3,431
Rentals	17,140	--	--	17,140
Contributions	15,090	459,325	421	474,836
Other	42,648	--	403	43,051
Total Revenue	\$ 747,416	\$ 459,470	\$ 128,916	\$ 1,335,802

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

City of Alcester

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

	<u>General Fund</u>	<u>Community Center Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General government:				
Legislative	\$ 77,580	\$ --	\$ --	\$ 77,580
Executive mayor	2,444	--	--	2,444
Financial office	87,255	--	--	87,255
Legal	12,769	--	--	12,769
Other	13,024	--	--	13,024
Public safety:				
Police	165,044	--	--	165,044
Fire	16,800	--	--	16,800
Civil defense	934	--	--	934
Public works:				
Highways and streets	224,091	--	--	224,091
Cemetary	13,768	--	--	13,768
Health and welfare:				
Ambulance	400	--	--	400
Culture and recreation:				
Recreation	48,916	--	--	48,916
Auditorium	9,002	--	--	9,002
Parks	12,814	--	--	12,814
Libraries	29,333	--	1,459	30,792
Liquor Store	9,832	--	--	9,832
Debt service	--	--	97,668	97,668
Capital outlay	15,330	141,164	--	156,494
Total Expenditures	<u>739,336</u>	<u>141,164</u>	<u>99,127</u>	<u>979,627</u>
Excess of Revenues Over (Under)				
Expenditures	<u>8,080</u>	<u>318,306</u>	<u>29,789</u>	<u>356,175</u>
Other Financing Uses:				
Transfers out	<u>--</u>	<u>--</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total Other Financing Uses	<u>--</u>	<u>--</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net Change in Fund Balance	8,080	318,306	4,789	331,175
Fund Balances- Beginning of Year	<u>333,112</u>	<u>(272,257)</u>	<u>210,191</u>	<u>271,046</u>
Fund Balances - End of Year	<u>\$ 341,192</u>	<u>\$ 46,049</u>	<u>\$ 214,980</u>	<u>\$ 602,221</u>

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

City of Alcester
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Government Funds	\$ 331,175
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	156,494
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(80,411)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	70,285
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises.	(705)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>11,632</u>
Change in Net Position of Governmental Activities	<u><u>\$ 488,470</u></u>

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

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

	Enterprise Funds				Totals
	Major Funds			Non-Major Fund	
	Water Fund	Sewer Fund	Golf Course Fund	Garbage Fund	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 116,683	\$ 36,555	\$ 17,899	\$ 58,436	\$ 229,573
Accounts receivable, net	15,722	13,979	--	2,911	32,612
Supply inventory	--	--	43,166	--	43,166
Total Current Assets	<u>132,405</u>	<u>50,534</u>	<u>61,065</u>	<u>61,347</u>	<u>305,351</u>
Noncurrent Assets:					
Restricted cash and cash equivalents	70,252	26,308	--	--	96,560
Capital assets:					
Land	12,700	27,000	10,696	--	50,396
Buildings	3,505	--	50,164	--	53,669
Improvements other than buildings	463,440	2,185,623	67,235	--	2,716,298
Machinery and equipment	101,232	97,789	84,032	13,375	296,428
Accumulated depreciation	(445,220)	(1,125,560)	(146,034)	(9,575)	(1,726,389)
Construction in Progress	--	315,712	--	--	315,712
Total Capital Assets:	<u>135,657</u>	<u>1,500,564</u>	<u>66,093</u>	<u>3,800</u>	<u>1,706,114</u>
Total Noncurrent Assets	<u>205,909</u>	<u>1,526,872</u>	<u>66,093</u>	<u>3,800</u>	<u>1,802,674</u>
Total Assets	<u>338,314</u>	<u>1,577,406</u>	<u>127,158</u>	<u>65,147</u>	<u>2,108,025</u>
Liabilities:					
Current Liabilities:					
Customer deposits	12,475	--	--	--	12,475
Current portion of long term debt	--	22,988	--	--	22,988
Total Current Liabilities	<u>12,475</u>	<u>22,988</u>	<u>--</u>	<u>--</u>	<u>35,463</u>
Noncurrent Liabilities:					
Bonds payable:					
Revenue	--	602,823	--	--	602,823
Total Noncurrent Liabilities	<u>--</u>	<u>602,823</u>	<u>--</u>	<u>--</u>	<u>602,823</u>
Total Liabilities	<u>12,475</u>	<u>625,811</u>	<u>--</u>	<u>--</u>	<u>638,286</u>
Net Position:					
Net investment in capital assets	135,657	874,753	66,093	3,800	1,080,303
Restricted net position restricted for:					
Debt service	70,252	26,308	--	--	96,560
Customer deposits	12,475	--	--	--	12,475
Unrestricted net position	<u>107,455</u>	<u>50,534</u>	<u>61,065</u>	<u>61,347</u>	<u>280,401</u>
Total Net Position	<u>\$ 325,839</u>	<u>\$ 951,595</u>	<u>\$ 127,158</u>	<u>\$ 65,147</u>	<u>\$ 1,469,739</u>

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

City of Alcester

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

	Enterprise Funds				Totals
	Major Funds			Non-Major Fund	
	Water Fund	Sewer Fund	Golf Course Fund	Garbage Fund	
Operating Revenues:					
Charges for goods and services	\$ 205,943	\$ 42,913	\$ 509,410	\$ 34,947	\$ 793,213
Other	34,905	70,322	--	11,788	117,015
Total Operating Revenues	240,848	113,235	509,410	46,735	910,228
Operating Expenses:					
Personal services	56,689	67,107	273,288	6,682	403,766
Other current expense	44,541	84,550	376,304	30,537	535,932
Materials	92,235	--	--	--	92,235
Depreciation	12,695	49,396	13,526	1,338	76,955
Total Operating Expenses	206,160	201,053	663,118	38,557	1,108,888
Operating Income (Loss)	34,688	(87,818)	(153,708)	8,178	(198,660)
Nonoperating Revenues (Expenses):					
Interest income	212	167	6	--	385
Interest expense	--	(10,285)	--	--	(10,285)
Total Nonoperating Revenue (Expenses)	212	(10,118)	6	--	(9,900)
Net Income (Loss) Before Transfers	34,900	(97,936)	(153,702)	8,178	(208,560)
Other Financing Sources (Uses):					
Transfers in	--	--	200,000	--	200,000
Transfers out	(75,000)	(75,000)	--	(25,000)	(175,000)
Total Other Financing Sources (Uses):	(75,000)	(75,000)	200,000	(25,000)	25,000
Net Change in Net Position	(40,100)	(172,936)	46,298	(16,822)	(183,560)
Net Position - Beginning of Year	365,939	1,124,531	80,860	81,969	1,653,299
Net Position - End of Year	\$ 325,839	\$ 951,595	\$ 127,158	\$ 65,147	\$ 1,469,739

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

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

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course Fund	
Cash Flows from Operating Activities:					
Receipt from customers	\$ 262,514	\$ 228,069	\$ 46,757	\$ 466,244	\$ 1,003,584
Payments to suppliers	(136,776)	(106,550)	(30,537)	(376,304)	(650,167)
Payments to employees	(56,689)	(67,107)	(6,682)	(273,288)	(403,766)
Net Cash Provided (Used) by Operating Activities:	<u>69,049</u>	<u>54,412</u>	<u>9,538</u>	<u>(183,348)</u>	<u>(50,349)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers (to) from other funds	<u>(75,000)</u>	<u>(75,000)</u>	<u>(25,000)</u>	<u>200,000</u>	<u>25,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(75,000)</u>	<u>(75,000)</u>	<u>(25,000)</u>	<u>200,000</u>	<u>25,000</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(3,139)	(204,308)	--	(7,776)	(215,223)
Proceeds of long term debt	--	285,811	--	--	285,811
Payments on long term debt	--	(15,000)	--	--	(15,000)
Debt interest paid	--	(10,285)	--	--	(10,285)
Net Cash (Used) by Capital and Related Financing Activities:	<u>(3,139)</u>	<u>56,218</u>	<u>--</u>	<u>(7,776)</u>	<u>45,303</u>
Cash Flows from Investing Activities:					
Interest earnings	<u>212</u>	<u>167</u>	<u>--</u>	<u>6</u>	<u>385</u>
Net Cash Provided by Investing Activities	<u>212</u>	<u>167</u>	<u>--</u>	<u>6</u>	<u>385</u>
Net Increase in Cash and Cash Equivalents	(8,878)	35,797	(15,462)	8,882	20,339
Cash and Cash Equivalents - Beginning of Year	<u>195,813</u>	<u>27,066</u>	<u>73,898</u>	<u>9,017</u>	<u>305,794</u>
Cash and Cash Equivalents - End of Year	<u>\$ 186,935</u>	<u>\$ 62,863</u>	<u>\$ 58,436</u>	<u>\$ 17,899</u>	<u>\$ 326,133</u>

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

City of Alcester
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022 (Continued)

Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:

Operating income (loss)	\$ 34,688	\$ (87,818)	\$ 8,178	\$ (153,708)	\$ (198,660)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Provided by operating activities:					
Depreciation expense	12,695	49,396	1,338	13,526	76,955
(Increase) decrease in:					
Receivables	22,641	114,834	22	--	137,497
Inventories	--	--	--	(43,166)	(43,166)
Increase (decrease) in:					
Accounts and other payables	--	(22,000)	--	--	(22,000)
Deposits	(975)	--	--	--	(975)
Cash Flows Provided by Operating Activities	<u>\$ 69,049</u>	<u>\$ 54,412</u>	<u>\$ 9,538</u>	<u>\$ (183,348)</u>	<u>\$ (50,349)</u>

Composition of Cash and Cash Equivalents

Cash and cash equivalents	\$ 116,683	\$ 36,555	\$ 58,436	\$ 17,899	\$ 229,573
Restricted cash and cash equivalents	70,252	26,308	--	--	96,560
Total	<u>\$ 186,935</u>	<u>\$ 62,863</u>	<u>\$ 58,436</u>	<u>\$ 17,899</u>	<u>\$ 326,133</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the City of Alcester consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility), those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The Housing and Redevelopment Commission of the City of Alcester, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the commission are appointed by the Mayor and hold office until their successors have been appointed and qualified. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plan to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the City Housing and Redevelopment Commission of the City of Alcester, may be obtained from the Alcester City Hall, P.O Box 318, Alcester, SD 57001.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 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's financial reporting entity are described below:

Governmental Funds:

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

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

CDBG Revolving Loan Fund – A fund allowed by SDCL 4-11-6 to make loans to area businesses from funds that were originally provided by a Community Development Block Grant. This is not major fund.

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

2nd Cent Sales Tax Fund – A fund established by City Ordinance No. 2005 to account for additional 1% sales tax. The City has committed the use of this fund to capital improvements and debt service. This is not a major fund.

Library Fund – A fund used to account for library operations obtained and used through governmental services. This is not a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Community Center Fund – to account for the financial resources to be used for the construction of a new community center for the community. This is a major fund.

Proprietary Funds:

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

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

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

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

Garbage Fund – financed primarily by user charges, this fund accounts for the operation of the garbage system and related facilities. This is not a major fund.

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Golf Course Fund – financed by user charges, this fund accounts for the operations of the golf course services. This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Alcester is 30 days. The revenues which are accrued at December 31, 2022 are amounts due from other governments and accounts receivables.

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Under the modified accrual basis of accounting, receivables may be measured 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 fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable 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."

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 to useful life of a capital asset are also capitalized.

The total December 31, 2022 balance of governmental activities capital assets includes approximately less than 1 percent for which the costs were determined by estimates of the original costs. The total December 31, 2022, balance of business-type capital assets are valued at original costs. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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".

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

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

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
*Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 5,000	Straight-line	10-50 years
Buildings	25,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	2-20 years

*Land, an inexhaustible capital asset, is not depreciated

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 acquired for use in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

f. Long-Term Liabilities:

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

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

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

g. Leases:

The city does not have any leases. If the City had any leases, it would recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government – wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

h. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the City Council.

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

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

o. Pensions:

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

2. Implementation of New Accounting Standard:

In 2022, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement improves accounting and financial reporting for leases; enhances the comparability of financial statements between governments; and also enhances the relevance, reliability, and consistency of information about the leasing activities of governments. The implementation of this standard had no effect on beginning net position.

City of Alcester
Notes to the Financial Statements
December 31, 2022

3. Violations of Finance-Related Legal and Contractual Provisions:

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

<u>General Fund</u>	<u>Year Ended</u> <u>2022</u>
Financial Office	\$ 2,810
Recreation	196
Parks	519

4. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

Deposits – The City’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 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 authorized to do business in South Dakota.

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

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.

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

Interest Rate Risk – The City does not have a formal investment policy that limits investment securities 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 deposits and investments to the fund making the investment.

City of Alcester
Notes to the Financial Statements
December 31, 2022

5. Restricted Cash and Investments:

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

<u>Fund</u>	<u>Amount:</u>	<u>Purpose:</u>
Water Fund	\$ 70,252	Debt Services, by debt covenants
Sewer Fund	26,308	Debt Services, by debt covenants
Total	<u>\$ 96,560</u>	

6. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year except for \$3,243 of receivables related to economic development loans to qualifying businesses reported in the CDBG Fund. This is a summary of CDBG Loans receivable as of December 31, 2022.

Government Activities: Years Ending Dec. 31,	CDBG Notes							
	Arlene's Sunnyside Café		Home Away From Home Braaten		Alcester Health Svs Food Pantry		Total CDBG Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2023	\$ 749	\$ 6	\$ 1,779	\$ 21	\$ 2,310	\$ 90	\$ 4,838
2024	--	--	48	--	2,357	43	2,405	43
2025	--	--	--	--	838	4	838	4
Total	<u>\$ 749</u>	<u>\$ 6</u>	<u>\$ 1,827</u>	<u>\$ 21</u>	<u>\$ 5,505</u>	<u>\$ 137</u>	<u>\$ 8,081</u>	<u>\$ 164</u>

7. Inventory:

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

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

Government-Wide Financial Statements:

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

7. Inventory: (Continued)

Fund Financial Statements:

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

8. Property Taxes:

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

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

City of Alcester
Notes to the Financial Statements
December 31, 2022

9. Changes in Capital Assets:

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

	<u>Balance</u> <u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2022</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 274,150	\$ --	\$ --	\$ 274,150
Construction in progress	<u>3,070,904</u>	<u>141,164</u>	<u>--</u>	<u>3,212,068</u>
Total, not being depreciated	<u>3,345,054</u>	<u>141,164</u>	<u>--</u>	<u>3,486,218</u>
Capital assets, being depreciated:				
Buildings	211,218	9,480	--	220,698
Improvements	409,939	--	--	409,939
Machinery & Equipment	642,134	--	--	642,134
Library Books	<u>36,987</u>	<u>5,850</u>	<u>4,263</u>	<u>38,574</u>
Total, being depreciated	<u>1,300,278</u>	<u>15,330</u>	<u>4,263</u>	<u>1,311,345</u>
Less accumulated depreciation:				
Buildings	144,847	4,506	--	149,353
Improvements	226,552	17,343	--	243,895
Machinery & Equipment	424,647	54,299	--	478,946
Library Books	<u>--</u>	<u>4,263</u>	<u>4,263</u>	<u>--</u>
Total accumulated depreciation	<u>796,046</u>	<u>80,411</u>	<u>4,263</u>	<u>872,194</u>
Capital Assets Net	<u>\$ 3,849,286</u>	<u>\$ 76,083</u>	<u>\$ --</u>	<u>\$ 3,925,369</u>

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 60,308
Public safety	8,041
Public works	8,041
Culture and recreation	<u>4,021</u>
	<u>\$ 80,411</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

9. Changes in Capital Assets: (Continued)

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

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,396	\$ --	\$ --	\$ 50,396
Construction in progress	114,543	201,169	--	315,712
Total, not being depreciated	<u>164,939</u>	<u>201,169</u>	<u>--</u>	<u>366,108</u>
Capital assts, being depreciated:				
Buildings	53,669	--	--	53,669
Improvements	2,716,298	--	--	2,716,298
Machinery & Equipment	282,374	14,054	--	296,428
Total, being depreciated/amortized	<u>3,052,341</u>	<u>14,054</u>	<u>--</u>	<u>3,066,395</u>
Less accumulated depreciation/amortization for:				
Buildings	28,587	2,508	--	31,095
Improvements	1,414,743	57,668	--	1,472,411
Machinery & Equipment	206,106	16,777	--	222,883
Total accumulated depreciation/amortization	<u>1,649,436</u>	<u>76,953</u>	<u>--</u>	<u>1,726,389</u>
Capital Assets Net	<u>\$ 1,567,844</u>	<u>\$ 138,270</u>	<u>\$ --</u>	<u>\$ 1,706,114</u>

Depreciation/Amortization expense was charged to functions as follows:

Water	\$ 12,695
Sewer	49,395
Golf Course	13,526
Garbage	1,337
Business-Type Activities	<u>\$ 76,953</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

9. Changes in Capital Assets: (Continued)

Construction Work in Progress at December 31, 2022 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2022</u>	<u>Committed</u>
Governmental Activities:			
Community Center	\$ 3,212,068	\$ 3,212,068	\$ --
Business-Type Activities:			
Wastewater Facility	394,100	315,712	78,388
Total Governmental and Business-Type Activities	<u>\$ 3,606,168</u>	<u>\$ 3,527,780</u>	<u>\$ 78,388</u>

10. Long-Term Debt:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Government Activities:					
Bonds Payable:					
Revenue Bonds	\$ 785,828	\$ --	\$ 62,125	\$ 723,703	\$ 58,658
Notes Payable	16,320	--	8,160	8,160	8,160
Total Governmental Activities	<u>802,148</u>	<u>--</u>	<u>70,285</u>	<u>731,863</u>	<u>66,818</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	355,000	--	15,000	340,000	15,000
State Revolving Funds	--	285,811	--	285,811	7,988
Total Business-Type Activities	<u>355,000</u>	<u>285,811</u>	<u>15,000</u>	<u>625,811</u>	<u>22,988</u>
Total Primary Government	<u>\$ 1,157,148</u>	<u>\$ 285,811</u>	<u>\$ 85,285</u>	<u>\$ 1,357,674</u>	<u>\$ 89,806</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

10. Long-Term Debt: (Continued)

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

Governmental Activities:

Revenue Bonds:

Sales Tax Revenue Bonds, Series 2011	3.5% fixed; matures and final payment due July, 2025. This debt is serviced by the 2nd Cent Fund.	\$ 35,545
Equipment Bond, Series 2018	4.5% fixed; matures and final payment due November, 2028. This debt is serviced by the 2nd Cent Fund.	133,158
Sales Tax Revenue Bonds, Series 2021	2.5% fixed; matures and final payment due May, 2041. This debt is serviced by the 2nd Cent Fund.	<u>555,000</u>
Total Revenue Bonds		<u>723,703</u>

Notes Payable:

Police Vehicle Loan, 2019	0% fixed; matures and final payment due November, 2023. This debt is serviced by the 2nd Cent Fund.	<u>8,160</u>
Total Governmental Activities Debt		<u>731,863</u>

Business-type Activities:

Revenue Bonds:

Sewer Utility Revenue Refunding Bonds, Series 2020	2.5% through 2030 switching to 3.1% until 2043; matures January, 2043. This debt is serviced by the Sewer Fund.	\$ 340,000
Sewer State Revolving Fund Loan	3% through 2053. This debt is serviced by the Sewer Fund.	<u>285,811</u>
Total Business Activity Debt		<u>625,811</u>
Grand Total		<u>\$ 1,357,674</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

10. Long-Term Debt: (Continued)

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

Government Activities:

Years Ending

Dec. 31,	Revenue Bonds		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 58,658	\$ 20,774	\$ 8,160	\$ 8,160	\$ 66,818	\$ 28,934
2024	60,048	18,758	--	--	60,048	18,758
2025	54,010	16,681	--	--	54,010	16,681
2026	47,638	14,945	--	--	47,638	14,945
2027	36,702	12,464	--	--	36,702	12,464
2028-2032	171,647	49,039	--	--	171,647	49,039
2033-2037	155,000	29,375	--	--	155,000	29,375
2038-2042	140,000	8,750	--	--	140,000	8,750
Total	<u>\$ 723,703</u>	<u>\$ 170,786</u>	<u>\$ 8,160</u>	<u>\$ 8,160</u>	<u>\$ 731,863</u>	<u>\$ 178,946</u>

Business-Type Activities:

Years Ending

Dec. 31,	Revenue Bonds		State Revolving Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,000	\$ 9,910	\$ 7,988	\$ 8,243	\$ 22,988	\$ 18,153
2024	15,000	9,535	6,204	8,241	21,204	17,776
2025	15,000	9,160	6,393	8,052	21,393	17,212
2026	15,000	8,785	6,587	7,858	21,587	16,643
2027	15,000	8,410	6,787	7,657	21,787	16,067
2028-2032	75,000	36,155	37,162	35,061	112,162	71,216
2033-2037	90,000	24,180	43,168	29,054	133,168	53,234
2038-2042	100,000	9,300	50,145	22,079	150,145	31,379
2043-2047	--	--	58,248	13,973	58,248	13,973
2048-2052	--	--	63,129	4,581	63,129	4,581
Total	<u>\$ 340,000</u>	<u>\$ 115,435</u>	<u>\$ 285,811</u>	<u>\$ 144,799</u>	<u>\$ 625,811</u>	<u>\$ 260,234</u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

11. Conduit Debt:

In the past, the City issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2022, there were two conduit bond issues outstanding with an aggregate unpaid principal amount of \$553,604. Final payment for the debt is December of 2043 and December of 2030.

12. Individual Fund Interfund Receivable and Payable Balances:

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
2nd Cent Fund	\$ --	\$ 8,160
CDBG Special Revenue Fund	8,160	--
Total	<u>\$ 8,160</u>	<u>\$ 8,160</u>

13. Restricted Net Position:

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

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Debt service	\$ --	\$ 96,560	\$ 96,560
Community development	127,818	--	127,818
Library operations	29,921	--	29,921
Community center	46,049	--	46,049
Customer deposits	--	12,475	12,475
SDRS pension purposes	53,119	--	53,119
Total	<u>\$ 256,907</u>	<u>\$ 109,035</u>	<u>\$ 365,942</u>

These balances are restricted due to federal grant and statutory requirements

City of Alcester
Notes to the Financial Statements
December 31, 2022

14. Interfund Transfers:

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

Transfer from Water Fund to Golf Course Fund for cash funding.	\$ 75,000
Transfer from Sewer Fund to Golf Course Fund for cash funding.	\$ 75,000
Transfer from Garbage Fund to Golf Course Fund for cash funding.	\$ 25,000
Transfer from 2nd Penney Fund to Golf Course Fund for cash funding.	\$ 25,000

15. Pension Plan:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 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 employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

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 retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouse of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

City of Alcester
Notes to the Financial Statements
December 31, 2022

15. Pension Plan: (Continued)

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020 equal to the required contributions each year as follows:

2022	\$	27,955
2021		22,005
2020		20,736

City of Alcester
Notes to the Financial Statements
December 31, 2022

15. Pension Plan: (Continued)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.1% 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 this measurement period ending June 30, 2022, and reported by the City as of December 31, 2022 are as follows:

Proportionate share of pension liability (asset)	\$ 2,506,829
Less proportionate share of total pension restricted for pension benefits	<u>2,508,508</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,679)</u></u>

At December 31, 2022, the City reported an asset of \$1,679 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was 0.01775800%, which is an increase of 0.0020480% from its proportion measured as of June 30, 2021

For the year ended December 31, 2022 the City recognized a reduction of pension expense of \$11,934. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,947	\$ 109
Changes in assumption	106,664	93,477
Net Difference between projected and actual earnings on pension plan investments	--	4,022
Changes in proportion and difference between City contributions and proportionate share of contributions	18	3,440
City contributions subsequent to the measurement date	<u>13,859</u>	<u>--</u>
Total Revenues	<u><u>\$ 152,488</u></u>	<u><u>\$ 101,048</u></u>

City of Alcester
Notes to the Financial Statements
December 31, 2022

15. Pension Plan: (Continued)

\$13,859 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
<u>December 31:</u>	
2023	\$ 9,863
2024	22,309
2025	(27,487)
2026	<u>32,895</u>
	<u>\$ 37,580</u>

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.5% and real returns of 4%
Future COLAs	2.10%

Mortality Rates:

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

Active and Terminated Vested Members:

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

Retired members:

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

Beneficiaries:

PubG-2010 contingent survivor mortality table experience study for the period of July 1, 2016, to June 30, 2021.

City of Alcester
Notes to the Financial Statements
December 31, 2022

15. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

City of Alcester
Notes to the Financial Statements
December 31, 2022

15. Pension Plan: (Continued)

Sensitivity of Liability to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 348,472	\$ (1,679)	\$ (287,843)

Pension Plan Fiduciary Net Position:

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

16. Risk Management:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2022, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

16. Risk Management: (Continued)

Worker's Compensation:

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

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. At December 31, 2022, no claims had been filed and were outstanding.

Required Supplementary Information

City of Alcester
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 366,214	\$ 366,214	\$ 404,831	\$ 38,617
General sales and use tax	134,015	134,015	127,583	(6,432)
Licenses and permits	5,900	5,900	10,775	4,875
Intergovernmental:				
Federal grants	--	--	69,032	69,032
State shared revenues				
Bank franchise tax	4,100	4,100	5,510	1,410
Motor vehicle licenses (5%)	12,600	12,600	14,750	2,150
Liquor tax reversion	5,250	5,250	6,081	831
Local government highway and bridge	6,300	6,300	6,571	271
County Shared Revenue:				
County highway and bridge fund	1,050	1,050	382	(668)
County wheel tax	3,600	3,600	3,605	5
Other	1,450	1,450	1,699	249
Charges for Goods and Services:				
General government	2,000	2,000	1,664	(336)
Public safety	60	60	180	120
Culture and recreation	13,000	13,000	12,240	(760)
Cemetery	11,340	11,340	4,411	(6,929)
Fines and Forfeits:				
Court fines and costs	125	125	447	322
Miscellaneous Revenue:				
Investment earnings	2,500	2,500	2,777	277
Rentals	20,000	20,000	17,140	(2,860)
Contribution and donations from private sources	15,500	15,500	15,090	(410)
Other	17,900	17,900	42,648	24,748
Total Revenues	<u>\$ 622,904</u>	<u>\$ 622,904</u>	<u>\$ 747,416</u>	<u>\$ 124,512</u>

City of Alcester
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
Legislative	\$ 76,306	\$ 79,306	\$ 77,580	\$ 1,726
Elections	2,150	2,150	--	2,150
Executive mayor	2,530	2,530	2,444	86
Financial office	82,445	84,445	87,255	(2,810)
Legal	18,020	18,020	12,769	5,251
Other	13,460	13,460	13,024	436
Public Safety:				
Police	153,678	167,178	165,044	2,134
Fire	17,800	17,800	16,800	1,000
Civil Defense	3,700	3,700	934	2,766
Public Works:				
Highways and streets	231,373	231,373	224,091	7,282
Cemeteries	11,340	14,340	13,768	572
Health and Welfare:				
Ambulance	1,400	1,400	400	1,000
Culture and Recreation:				
Recreation	48,720	48,720	48,916	(196)
Auditorium	14,500	14,500	9,002	5,498
Parks	21,775	21,775	22,294	(519)
Libraries	35,370	37,370	35,183	2,187
Liquor Store	2,500	10,000	9,832	168
Total Expenditures	<u>737,067</u>	<u>768,067</u>	<u>739,336</u>	<u>28,731</u>
Excess of Revenues Over Expenditures	<u>(114,163)</u>	<u>(145,163)</u>	<u>8,080</u>	<u>153,243</u>
Other Financing Sources:				
Transfers (out)	78,900	78,900	--	(78,900)
Sale of Municipal Property	2,500	2,500	--	(2,500)
Total Other Financing Sources	<u>81,400</u>	<u>81,400</u>	<u>--</u>	<u>(81,400)</u>
Net Changes in Fund Balance	(32,763)	(63,763)	8,080	71,843
Fund Balance, Beginning of Year	<u>333,112</u>	<u>333,112</u>	<u>333,112</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ 300,349</u></u>	<u><u>\$ 269,349</u></u>	<u><u>\$ 341,192</u></u>	<u><u>\$ 71,843</u></u>

City of Alcester
Notes to the Required Supplementary Information
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget
For the Year Ended December 31, 2022

Note 1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board/City Commission 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/City Commission.

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital project funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

City of Alcester
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Years Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0177580%	0.0157100%	0.0154354%	0.0148507%	0.0148772%	0.0150680%	0.0127576%	0.0144053%	0.0134346%
City's proportionate share of net pension liability (asset)	\$ (1,679)	\$ (120,312)	\$ (670)	\$ (1,574)	\$ (347)	\$ (1,367)	\$ 43,094	\$ (61,097)	\$ (96,791)
City's covered-employee payroll	<u>386,862</u>	<u>323,070</u>	<u>307,693</u>	<u>285,793</u>	<u>285,033</u>	<u>279,623</u>	<u>223,459</u>	<u>237,919</u>	<u>225,546</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.43%	-37.24%	-0.22%	-0.55%	-0.12%	-0.49%	19.28%	-25.68%	-42.91%
Plan fiduciary net position as a percentage of the total pension benefit	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Alcester
Schedule of the City's Contributions (SDRS)
As of December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 27,955	\$ 22,005	\$ 20,736	\$ 18,867	\$ 19,429	\$ 18,579	\$ 16,238	\$ 15,167
Contributions in relation to the contractually required contribution	<u>27,955</u>	<u>22,005</u>	<u>20,736</u>	<u>18,867</u>	<u>19,429</u>	<u>18,579</u>	<u>16,238</u>	<u>15,167</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 429,302	\$ 338,417	\$ 311,697	\$ 284,801	\$ 296,981	\$ 282,514	\$ 247,331	\$ 231,260
Contributions as a percentage of covered-employee payroll	6.51%	6.50%	6.65%	6.62%	6.54%	6.58%	6.57%	6.56%

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Alcester
Notes to Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
As of December 31,

Changes from Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

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

City of Alcester

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31, (Continued)

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

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

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes:

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

Supplementary Information

City of Alcester
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Library Funds</u>	<u>CDBG Revolving Loan Fund</u>	<u>2nd Cent Sales Tax Fund</u>	
Assets:				
Cash and cash equivalents	\$ 7,921	\$ 119,658	\$ 56,936	\$ 184,515
Investments-certificates of deposit	22,000	--	--	22,000
Due from county governments	--	--	384	384
Due from other funds	--	8,160	--	8,160
Notes Receivable	--	8,081	--	8,081
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 29,921</u>	<u>\$ 135,899</u>	<u>\$ 57,320</u>	<u>\$ 223,140</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 29,921</u>	<u>\$ 135,899</u>	<u>\$ 57,320</u>	<u>\$ 223,140</u>
Liabilities and Fund Balances:				
CDBG revolving loan fund	\$ --	\$ --	\$ 8,160	\$ 8,160
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:				
Nonspendable	--	8,081	--	8,081
Restricted				--
Community development	--	127,818	--	127,818
Library	29,921	--	--	29,921
Committed	--	--	49,160	49,160
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>29,921</u>	<u>135,899</u>	<u>49,160</u>	<u>214,980</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,921</u>	<u>\$ 135,899</u>	<u>\$ 57,320</u>	<u>\$ 223,140</u>

City of Alcester
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue			Total Nonmajor Governmental Funds
	Library Funds	CDBG Revolving Loan Fund	2nd Cent Sales Tax Fund	
Revenues:				
Taxes				
General sales taxes	\$ --	\$ --	\$ 127,583	\$ 127,583
Miscellaneous revenue				
Investment earnings	509	--	--	509
Contributions	421	--	--	421
Other	--	403	--	403
Total Revenue	<u>\$ 930</u>	<u>\$ 403</u>	<u>\$ 127,583</u>	<u>\$ 128,916</u>
Expenditures:				
Libraries	\$ 1,459	\$ --	\$ --	\$ 1,459
Debt service	--	--	97,668	97,668
Total Expenditures	<u>1,459</u>	<u>--</u>	<u>97,668</u>	<u>99,127</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(529)</u>	<u>403</u>	<u>29,915</u>	<u>29,789</u>
Other Financing Sources:				
Transfers out	--	--	(25,000)	(25,000)
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net Change in Fund Balance	(529)	403	4,915	4,789
Fund Balances- Beginning of Year	30,450	135,496	44,245	210,191
Fund Balances - End of Year	<u>\$ 29,921</u>	<u>\$ 135,899</u>	<u>\$ 49,160</u>	<u>\$ 214,980</u>