

**CITY OF HOT SPRINGS
HOT SPRINGS, SOUTH DAKOTA**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2012**

**CATHERINE HAVEMAN
CERTIFIED PUBLIC ACCOUNTANT**

CITY OF HOT SPRINGS
TABLE OF CONTENTS

Page

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 <i>Government Auditing Standards</i>	1-2
Schedule of Prior and Current Audit Findings	3-5
Independent Auditor's Report	6-7
<i>Basic Financial Statements</i>	
<u>Government-wide Financial Statements:</u>	
As of December 31, 2012:	
Statement of Net Position	8
For the Year Ended December 31, 2012:	
Statement of Activities	9
<u>Fund Financial Statements:</u>	
<u>Governmental Funds</u>	
As of December 31, 2012:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
For the Year Ended December 31, 2012:	
Statement of Revenues, Expenditures and Changes in Fund Balances	12-14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
<u>Proprietary Funds</u>	
As of December 31, 2012:	
Statement of Net Position	16
For the Year Ended December 31, 2012:	
Statement of Revenues, Expenses and Changes in Fund Net Position	17
Statement of Cash Flows	18
Notes to the Financial Statements	19-34

CATHERINE HAVEMAN CPA

618 1/2 St. Joseph St. Suite 206
PO Box 2128
Rapid City, SD 57709-2128
Phone 605-343-3741
Fax 605-343-3741
Chaveman@knology.net

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

Governing Board
City of Hot Springs
Hot Springs, South Dakota

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hot Springs, South Dakota (City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Hot Springs' basic financial statements and have issued my report thereon dated May 25, 2014 which was qualified because cash assets do not reconcile to the depository amounts, I was unable to verify the amounts reported as utility receivables in the Water, Sewer and Solid Waste Funds and I was unable to verify the amount reported as customer deposits in the Water Fund.

Other auditors audited the financial statements of The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, as described in my report on the City of Hot Springs' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying **Schedule of Current Audit Findings**, **I identified certain deficiencies in internal control that I consider to be material weaknesses.**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. **I consider the deficiencies described in the accompanying Schedule of Current Audit Findings as Finding 2012-1 thru Finding 2012-3 to be material weaknesses.**

Compliance and Other Matters

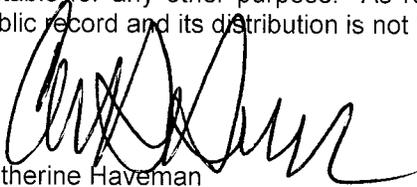
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Audit as Finding 2012-4.

City's Responses to Findings

The City's responses to the findings identified in my audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Catherine Haveman
Certified Public Accountant

May 25, 2014

CITY OF HOT SPRINGS
SCHEDULE OF PRIOR AUDIT FINDINGS

Finding # 2011-1 Financial Statement Preparation

As part of the audit engagement the City of Hot Springs requested that the auditor draft the financial statements and related footnote disclosures. This comment is restated in the current audit as Finding 2012-1.

Finding # 2011-2 Internal Control Over Recordkeeping

Management did not develop and implement proper internal controls over financial recordkeeping and reporting in order to prepare accurate financial statements and reduce the likelihood of fraud. This comment is restated in the current audit as Finding 2012-2

SCHEDULE OF CURRENT AUDIT FINDINGS
INTERNAL CONTROL RELATED FINDINGS – MATERIAL WEAKNESSES

Finding # 2012-1 Financial Statement Preparation

Criteria: It is management's responsibility to implement internal controls that provide for the timely and accurate preparation of the City's financial statements and related footnotes

Cause/Condition Found: As part of my audit engagement I prepared a draft of the financial statements and related footnotes. Auditing standards require that I communicate this to the City Council as an internal control deficiency.

Effect: The preparation of the financial statements and related footnote disclosures by the auditor results in a material weakness in internal control that could result in a misstatement of the financial statements that would not be detected and corrected by management in the normal course of performing their assigned functions.

Recommendation: I have provided management with the draft of the financial statements for review and I have determined that a qualified management-level individual has been designated to be responsible and accountable for overseeing my services. It is the responsibility of management and the City Council to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: Financial statement preparation is solely the responsibility of our Finance Officer. If our FO does not have qualified people on our staff to accomplish the duties, it must fall back on him. The risk associated with this condition is not acceptable to the city.

Finding # 2012-2 Internal Control Over Recordkeeping

Criteria: Management is responsible for the design and implementation of internal controls that will allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

The State of South Dakota, "Municipal Accounting Manual" provides that the following internal control procedures should be performed to provide assurance that assets are safeguarded against loss, authorized use, and recorded properly:

- 1) Reconciliation of the general ledger cash assets by fund monthly to the depository.
- 2) Reconciliation of the revenue and expenditures records to the general ledger monthly.
- 3) Reconciliation of the capital asset subsidiary records to the general ledger yearly.

CITY OF HOT SPRINGS
SCHEDULE OF CURRENT AUDIT FINDINGS

INTERNAL CONTROL RELATED FINDINGS – MATERIAL WEAKNESSES

Finding # 2012-2 Internal Control Over Recordkeeping (Continued)

Cause/Condition Found: During the course of my engagement I proposed material audit adjustments including reconciling cash items of \$349,211, reclassifying income of \$122,581, recording receivables of \$286,915, correct South Dakota Retirement remittance and accrual of \$71,802, reclassify loan proceeds of \$2,132,248 and adjust capital assets and related depreciation totaling \$2,419,631.

These adjustments were due to the following internal control deficiencies:

- 1) Bank accounts for the audit period were not reconciled to the general ledger.
- 2) Accrual of payroll tax liabilities are not recorded properly on the general ledger.
- 3) Cash cut off was not proper.
- 4) Receivables and payables were not recorded at year end.
- 5) Internal controls are not in place to provide for review of the general ledger activity and proper reconciliation of general ledger accounts to supporting subsidiaries.

Effect: These deficiencies in internal controls resulted in a material misstatement of the City's financial records and also increase the likelihood for fraud to occur.

Recommendation: In the future all general ledger accounts should be balanced each month and any year-end adjustments should be recorded in the accounting records. This would include the following procedures:

- a. Monthly reconciliation of all bank account to the general ledger and all differences must be promptly resolved.
- b. Payables and receivables should be recorded on the general ledger.
- c. Management must review the general ledger for accuracy and completeness on a monthly basis or more often if necessary to accomplish a proper reconciliation of all ledger accounts.
- d. Proper month-end and year end procedures must be developed and implemented.

Management's Response: We will perform reconciliations during the year and have reports in balance in the future.

Finding # 2011-3 Utility Fund Revenue

Criteria: The City of Hot Springs has adopted the accrual basis of accounting for its Water, Sewer and Solid Waste Fund for the past 27 years.

Cause/Condition Found: Revenue in the Water, Sewer, and Solid Waste Proprietary Funds for the year 2012 was recorded on the cash basis of accounting. In addition, the utility accounts receivable as of December 31, 2011 remained on the general ledger and was not adjusted for any activity during the year 2012. Furthermore, prepayments on customer accounts have not been applied properly to the revenue and/or receivables as appropriate.

Effect: The utility revenue in the Water, Sewer and Solid Waste fund is recorded in accordance with the accounting principles adopted by the City of Hot Springs. Utility accounts receivable are not supported by a subsidiary ledger.

Recommendation: Management must review and correct the accounting procedures and implement the proper basis of accounting in the Water, Sewer and Solid Waste Funds.

Management's Response: Our reconciliation and reports need to balance in the future.

CITY OF HOT SPRINGS
SCHEDULE OF CURRENT AUDIT FINDINGS

COMPLIANCE AND OTHER MATTERS

Finding # 2011-4 Cemetery Fund Revenue

Criteria: It is management's responsibility to implement internal controls that provide for an accurate record of the financial activity of the City in accordance with City Ordinance.

Cause/Condition Found: The City is not allocating cemetery revenue in accordance with its cemetery ordinance. City ordinance currently calls for \$100 from the sale of each grave site be recorded in the general fund and \$125 recorded in the Cemetery Perpetual Care Fund. Currently the revenue is recorded the opposite of this with \$125 going to the General Fund and \$125 to the Cemetery Fund. This is caused by a lack of management oversight of the City financial activities.

Effect: The Cemetery Perpetual Care Fund is not receiving the proper amount of revenue from the sale of grave sites.

Recommendation: Internal controls which provide for management oversight of the activity of the finance office should be developed and implemented.

Management's Response: We did not realize this had been done incorrectly. This will be correctly recorded in the future.

CATHERINE HAVEMAN CPA

618 1/2 St. Joseph St. Suite 206
PO Box 2128
Rapid City, SD 57709-2128
Phone 605-343-3741
Fax 605-343-3741
Chaveman@knology.net

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Hot Springs
Hot Springs, South Dakota

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, South Dakota, (City) as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of The Housing and Redevelopment Commission of The City of Hot Springs, the discretely presented component unit of the City of Hot Springs, as of and for the year ended December 31, 2012, which represent one hundred percent of the balances and activities of the component unit column. Those financial statements were audited by other auditors whose report has been furnished to me and my opinion, insofar as it relates to the amounts included for The Housing and Redevelopment Commission of the City of Hot Springs is based solely on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinions.

Basis for Qualified Opinion on the Governmental Activities, the Business-type Activities, Each Major Fund and the Aggregate Remaining Funds

The accounting records for cash do not reconcile to the depository amounts. This impact of this departure on the City's financial statements is \$17,720. I am unable to determine the impact on the individual funds and statements.

I was unable to verify the amounts reported as utility receivables in the Water, Sewer and Solid Waste Funds. These receivables represent 3 percent, 6 percent and 8 percent respectively of the current assets of these funds as of December 31, 2012. I was also unable to verify the amount reported as customer deposits in the Water Fund.

Qualified Opinion on the Governmental Activities, the Business-type Activities, Each Major Fund and the Aggregate Remaining Funds

In my opinion, except for the effects of the matters discussed in the "Basis for Qualified Opinion on Financial Statements" the financial statements referred to previously 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 Hot Springs, as of December 31, 2012, and the respective changes in its financial position and where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In my opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit of the City of Hot Springs, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

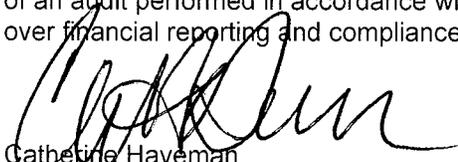
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2014, on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



Catherine Haveman
Certified Public Accountant

May 25, 2014

CITY OF HOT SPRINGS
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 427,982	\$ 3,802,749	\$ 4,230,731	\$ 563,502
Accounts Receivable, Net	358,098	229,773	587,871	5,519
Inventories	12,168	81,292	93,460	16,021
Other Assets	59,972		59,972	22,138
Restricted Assets:				
Cash and cash equivalents	5,321	-	5,321	-
Capital Assets:				
Land, Improvements and Construction in Progress	364,571	57,320	421,891	189,881
Other Capital Assets, Net of Depreciation	5,833,745	7,581,761	13,415,506	5,216,106
TOTAL ASSETS	7,061,857	11,752,895	18,814,752	6,013,167
LIABILITIES				
Accounts Payable	24,881	30	24,911	97,313
Other Current Liabilities	2,819	180,204	183,023	62,170
Deferred Revenue	16,838	22,920	39,758	-
Noncurrent Liabilities:				
Due Within One Year	129,482	138,257	267,739	145,190
Due in More than One Year	283,973	3,317,598	3,601,571	3,018,434
TOTAL LIABILITIES	457,993	3,659,009	4,117,002	3,323,107
NET POSITION				
Net Investment in Capital Assets	5,934,531	4,209,750	10,144,281	2,054,672
Restricted for:				
SDPAA Deposit Reserves	59,972	-	59,972	-
Library	5,321	-	5,321	-
Business Improvement District	60,731	-	60,731	-
Permanently Restricted Purposes:				
Expendable - Cemetery	47,104	-	47,104	-
Other Purposes			-	195,093
Unrestricted	496,205	3,884,136	4,380,341	440,295
TOTAL NET POSITION	\$ 6,603,864	\$ 8,093,886	\$ 14,697,750	\$ 2,690,060

The notes to the financial statements are an integral part of this statement.

**CITY OF HOT SPRINGS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 518,551	\$ 152,111	\$ 63,536	\$ 426,475	\$ 123,571		\$ 123,571	
Public Safety	847,791	912	-	-	(846,879)		(846,879)	
Public Works	836,185	154,866	-	-	(681,319)		(681,319)	
Health and Welfare	28,538	980	-	-	(27,558)		(27,558)	
Culture and Recreation	1,033,768	455,401	-	-	(578,367)		(578,367)	
Conservation and Development	215,222	-	-	-	(215,222)		(215,222)	
Miscellaneous Expenditures	4,405	78,392	-	-	73,987		73,987	
*Interest on Long-term Debt	12,114	-	-	-	(12,114)		(12,114)	
Total Governmental Activities	3,496,574	842,662	63,536	426,475	(2,163,901)		(2,163,901)	
Business-type Activities:								
Water	864,818	1,124,347	61,094	-	-	\$ 320,623	320,623	
Sewer	523,323	706,815	-	-	-	183,492	183,492	
Solid Waste	198,021	307,731	-	-	-	109,710	109,710	
Total Business-type Activities	1,586,162	2,138,893	61,094	-	-	613,825	613,825	
Total Primary Government	5,082,736	2,981,555	124,630	426,475	(2,163,901)	613,825	(1,550,076)	
Component Unit								
Housing and Redevelopment Commission	1,284,109	683,818	-	590,509				\$ (9,782)
General Revenues								
Taxes:								
Property Taxes					1,030,835	-	1,030,835	-
Sales Taxes					1,342,220	-	1,342,220	-
State Shared Revenues					37,059	-	37,059	-
Unrestricted Investment Earnings					4,408	695	5,103	7,912
Miscellaneous Revenue					110,007	8,734	118,741	3,986
Total General Revenues					2,524,529	9,429	2,533,958	11,898
Change in Net Position					360,628	623,254	983,882	2,116
Net Position-Beginning					6,243,236	7,470,632	13,713,868	2,676,535
Adjustments:								
Add Prior Period Adjustment					-	-	-	11,409
Adjusted Net Position-Beginning					6,243,236	7,470,632	13,713,868	2,687,944
Net Position - Ending					\$ 6,603,864	\$ 8,093,886	\$ 14,697,750	\$ 2,690,060

The notes to the financial statements are an integral part of this statement.

CITY OF HOT SPRINGS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 556,415	\$ (241,933)	\$ 113,500	\$ 427,982
110 Taxes Receivable--Delinquent	55,956	-	-	55,956
115 Accounts Receivable, Net	5,635	-	3,308	8,943
121 Special Assessments Receivable--Current	-	5,512	-	5,512
122 Special Assessments Receivable--Delinquent	-	15,070	-	15,070
123 Special Assessments Receivable--Deferred	-	16,838	-	16,838
132 Due from State Government	81,401	166,598	7,780	255,779
142 Inventory of Stores Purchased for Resale	12,168	-	-	12,168
154 Deposits	59,972	-	-	59,972
107.1 Restricted Cash and Cash Equivalents	5,321	-	-	5,321
TOTAL ASSETS	\$ 776,868	\$ (37,915)	\$ 124,588	\$ 863,541
LIABILITIES				
202 Accounts Payable	\$ 24,851	\$ 30	\$ -	\$ 24,881
217 Accrued Taxes Payable	261	-	-	261
223 Unearned Revenue	58	-	-	58
247 Deferred Income	37,462	37,420	-	74,882
TOTAL LIABILITIES	62,632	37,450	-	100,082
FUND BALANCES				
263 Nonspendable:				
Inventory	12,168	-	-	12,168
SDPAA Deposit Reserve	59,972	-	-	59,972
264 Restricted:				
Cemetery Perpetual Care	-	-	47,104	47,104
Library	5,321	-	-	5,321
Promoting the City	-	-	17,926	17,926
Business Improvement District	-	-	60,731	60,731
265 Committed - Freedom Trail	-	-	14	14
267 Unassigned	636,775	(75,365)	(1,187)	560,223
TOTAL FUND BALANCES	714,236	(75,365)	124,588	763,459
TOTAL LIABILITIES AND FUND BALANCES	\$ 776,868	\$ (37,915)	\$ 124,588	\$ 863,541

The notes to the financial statements are an integral part of this statement.

CITY OF HOT SPRINGS
Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Fund Balances - Governmental Funds	<u>\$ 763,459</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>6,198,316</u>
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	<u>(413,456)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>55,545</u>
Net Position - Governmental Activities	<u><u>\$ 6,603,864</u></u>

CITY OF HOT SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
310 Taxes:				
311 General Property Taxes	\$ 1,022,991	\$ -	\$ -	\$ 1,022,991
313 General Sales and Use Taxes	789,093	421,011	132,116	1,342,220
315 Amusement Taxes	876	-	-	876
319 Penalties and Interest on Delinquent Taxes	6,355	-	-	6,355
320 Licenses and Permits	21,266	-	-	21,266
330 Intergovernmental Revenue:				
331 Federal Grants	-	63,536	-	63,536
334 State Grants	-	426,475	-	426,475
335 State Shared Revenue:				
335.01 Bank Franchise Tax	3,367	-	-	3,367
335.02 Motor Vehicle Commercial Prorate	8,872	-	-	8,872
335.03 Liquor Tax Reversion	33,692	-	-	33,692
335.04 Motor Vehicle Licenses (5%)	22,211	-	-	22,211
335.08 Local Government Highway and Bridge Fund	80,625	-	-	80,625
338 County Shared Revenue:				
338.01 County Road Tax (25%)	1,532	-	-	1,532
338.99 Other	20,000	-	-	20,000
339 Other Intergovernmental Revenues	6,839	78,005	-	84,844
340 Charges for Goods and Services:				
341 General Government	31,659	-	-	31,659
342 Public Safety	912	-	-	912
343 Highways and Streets	6,341	-	-	6,341
345 Health	980	-	-	980
346 Culture and Recreation	416,536	-	-	416,536
348 Cemetery	1,675	-	1,250	2,925
349 Other	-	-	100,186	100,186
360 Miscellaneous Revenue:				
361 Investment Earnings	4,342	-	66	4,408
362 Rentals	30,094	-	-	30,094
363 Special Assessments	-	13,399	-	13,399
367 Contributions and Donations from Private Sources	18,865	-	-	18,865
368 Liquor Operating Agreement Income	78,392	-	-	78,392
369 Other	529	-	-	529
Total Revenue	2,608,044	1,002,426	233,618	3,844,088

The accompanying notes are an integral part of this financial statement.

CITY OF HOT SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Expenditures				
410 General Government:				
411 Legislative	\$ 33,644	\$ -	\$ -	\$ 33,644
412 Executive	13,735	-	-	13,735
413 Elections	3,000	-	-	3,000
414 Financial Administration	186,173	-	-	186,173
419 Other	255,840	-	-	255,840
Total General Government	492,392	-	-	492,392
420 Public Safety:				
421 Police	525,417	-	-	525,417
422 Fire	97,335	-	-	97,335
423 Protective Inspection	59,941	-	-	59,941
429 Other Protection	-	141,538	-	141,538
Total Public Safety	682,693	141,538	-	824,231
430 Public Works:				
431 Highways and Streets	479,844	-	-	479,844
435 Airport	46,278	-	-	46,278
437 Cemeteries	54,824	-	-	54,824
Total Public Works	580,946	-	-	580,946
440 Health and Welfare:				
441 Health	28,538	-	-	28,538
Total Health and Welfare	28,538	-	-	28,538
450 Culture and Recreation:				
451 Recreation	494,895	-	-	494,895
452 Parks	77,268	-	-	77,268
455 Libraries	218,918	-	-	218,918
456 Auditorium	77,716	-	-	77,716
Total Culture and Recreation	868,797	-	-	868,797
460 Conservation and Development:				
465 Economic Development and Assistance (Industrial Development)	-	10,000	139,791	149,791
466 Economic Opportunity	-	-	65,431	65,431
Total Conservation and Development	-	10,000	205,222	215,222
470 Debt Service	-	138,032	-	138,032

The accompanying notes are an integral part of this financial statement.

CITY OF HOT SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
485 Capital Outlay	\$ -	\$ 1,176,547	\$ -	\$ 1,176,547
490 Miscellaneous:				
492 Other Expenditures	405	-	4,000	4,405
Total Miscellaneous	405	-	4,000	4,405
Total Expenditures	2,653,771	1,466,117	209,222	4,329,110
Excess of Revenues Over (Under) Expenditures	(45,727)	(463,691)	24,396	(485,022)
Other Financing Sources				
391.03 Sale of Municipal Property	15,402	-	-	15,402
391.04 Compensation for Loss or Damage to Capital Assets	9,232	-	-	9,232
Total Other Financing Sources	24,634	-	-	24,634
Net Change in Fund Balances	(21,093)	(463,691)	24,396	(460,388)
Fund Balance - Beginning	735,329	388,326	100,192	1,223,847
Fund Balance - Ending	<u>\$ 714,236</u>	<u>\$ (75,365)</u>	<u>\$ 124,588</u>	<u>\$ 763,459</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HOT SPRINGS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (460,388)

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. 1,056,023

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. (327,061)

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. 124,833

Revenue Bond \$ 124,833

The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available". 613

Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises. (11,133)

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. (31,392)

Vacation Leave \$ 31,392

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., accrued interest revenue) 9,133

Change in Net Position of Governmental Activities \$ 360,628

CITY OF HOT SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,116,520	\$ 1,261,617	\$ 424,612	\$ 3,802,749
115 Accounts Receivable, Net	76,014	86,317	35,466	197,797
121 Special Assessments Receivable--Current	3,017	4,285	-	7,302
122 Special Assessments Receivable--Delinquent	603	1,150	-	1,753
123 Special Assessments Receivable--Deferred	5,431	17,490	-	22,921
141 Inventory of Supplies	56,036	25,256	-	81,292
Total Current Assets	2,257,621	1,396,115	460,078	4,113,814
Noncurrent Assets:				
Capital Assets:				
160 Land	57,320	-	-	57,320
162 Buildings	1,245,606	2,143,054	1,112,675	4,501,335
164 Improvements Other Than Buildings	3,918,930	3,783,504	67,270	7,769,704
166 Machinery and Equipment	354,104	575,668	792,391	1,722,163
Less: Accumulated Depreciation (Credit)	(2,293,981)	(2,800,240)	(1,317,220)	(6,411,441)
Total Noncurrent Assets	3,281,979	3,701,986	655,116	7,639,081
TOTAL ASSETS	\$ 5,539,600	\$ 5,098,101	\$ 1,115,194	\$ 11,752,895
LIABILITIES				
Current Liabilities:				
202 Accounts Payable	\$ 30	\$ -	\$ -	\$ 30
215 Accrued Interest Payable	37,254	1,512	-	38,766
220 Customer Deposits	141,438	-	-	141,438
224 Deferred Income	5,430	17,490	-	22,920
226 Bonds Payable Current:				
226.01 General Obligation				-
226.02 Revenue	45,336	27,494	65,427	138,257
Total Current Liabilities	229,488	46,496	65,427	341,411
Noncurrent Liabilities:				
231 Bonds Payable:				
231.02 Revenue	1,590,664	1,577,219	123,191	3,291,074
233 Accrued Leave Payable	22,438	4,086	-	26,524
Total Noncurrent Liabilities	1,613,102	1,581,305	123,191	3,317,598
TOTAL LIABILITIES	1,842,590	1,627,801	188,618	3,659,009
NET POSITION				
253.10 Net Investment in Capital Assets	1,645,979	2,097,273	466,498	4,209,750
253.90 Unrestricted	2,051,031	1,373,027	460,078	3,884,136
TOTAL NET POSITION	\$ 3,697,010	\$ 3,470,300	\$ 926,576	\$ 8,093,886

The notes to the financial statements are an integral part of this statement.

CITY OF HOT SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
Operating Revenue				
370/380 Charges for Goods and Services	\$ -	\$ -	\$ 146,437	\$ 146,437
Revenue Dedicated to Servicing Debt	1,117,458	705,986	161,294	1,984,738
369 Miscellaneous	6,889	829	-	7,718
Total Operating Revenue	1,124,347	706,815	307,731	2,138,893
Operating Expenses				
410 Personal Services	238,989	129,728	-	368,717
420 Other Current Expense	465,078	186,072	117,096	768,246
457 Depreciation	123,497	194,652	69,776	387,925
Total Operating Expenses	827,564	510,452	186,872	1,524,888
Operating Income (Loss)	296,783	196,363	120,859	614,005
Nonoperating Revenue (Expense)				
330 Operating Grants	-	61,094	-	61,094
361 Investment Earnings	258	437	-	695
442 Interest Expense	(37,254)	(12,871)	(11,149)	(61,274)
(429)369.01 Other	3,017	5,717	-	8,734
Total Nonoperating Revenue (Expense)	(33,979)	54,377	(11,149)	9,249
Change in Net Position	262,804	250,740	109,710	623,254
Net Position - Beginning	3,434,206	3,219,560	816,866	7,470,632
Net Position - Ending	\$ 3,697,010	\$ 3,470,300	\$ 926,576	\$ 8,093,886

The notes to the financial statements are an integral part of this statement.

CITY OF HOT SPRINGS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,115,498	\$ 704,684	\$ 299,483	\$ 2,119,665
Cash Payments to Employees for Services	(238,989)	(139,033)	(10,302)	(388,324)
Cash Payments to Suppliers of Goods and Services	(452,286)	(190,865)	(131,518)	(774,669)
Other Operating Cash Payments	6,889	829	-	7,718
Net Cash Provided (Used) by Operating Activities	431,112	375,615	157,663	964,390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Capital Debt	1,055,403	1,049,603	-	2,105,006
Capital Contributions	-	61,094	-	61,094
Purchase of Capital Assets	(216,215)	(378,579)	-	(594,794)
Principal Paid on Capital Debt	-	-	(62,501)	(62,501)
Interest Paid on Capital Debt	(37,254)	(12,871)	(11,149)	(61,274)
Other Receipts (Payments)	3,017	5,717	-	8,734
Net Cash Provided (Used) by capital and related financing Activities	804,951	724,964	(73,650)	1,456,265
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Received for Interest	258	437	-	695
Net Cash Provided (Used) by Investing Activities	258	437	-	695
Net Increase (Decrease) in Cash and Cash Equivalents	1,236,321	1,101,016	84,013	2,421,350
Balances - Beginning	880,199	160,601	340,599	1,381,399
Balances- Ending	\$ 2,116,520	\$ 1,261,617	\$ 424,612	\$ 3,802,749
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 296,783	\$ 196,363	\$ 120,859	\$ 614,005
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	123,497	194,652	69,776	387,925
Change in Assets and Liabilities:				
Receivables	(1,960)	(1,302)	(8,248)	(11,510)
Inventories	(16,164)	2,897	-	(13,267)
Accounts and Other Payables	28,956	(7,690)	(14,422)	6,844
Accrued Leave Payable	-	(9,305)	(10,302)	(19,607)
Net Cash Provided (Used) by Operating Activities	\$ 431,112	\$ 375,615	\$ 157,663	\$ 964,390

The notes to the financial statements are an integral part of this statement.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The City of Hot Springs, South Dakota (the City) is incorporated under the laws of the State of South Dakota and operates under an elected Mayor-Council form of government.

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

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

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (the Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Council, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Council the ability to impose its will on the Commission.

Separately issued audited financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Hot Springs, Brookside Apartments, 201 S River, Hot Springs SD 57745.

b. Basis of Presentation:

Government-wide Financial Statements:

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

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

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.

Sales Tax Fund – this fund accounts for 1/3 of the sales, service and use tax that is collected by the City and restricted by City ordinance to use for debt service, street improvements, street maintenance, building construction, and building up-keep and repair. This is a major fund.

The remaining Special Revenue funds are not considered major funds: Cemetery Fund, Freedom Trail Fund, Historic Preservation Fund, Liquor, and Lodging and Dining Fund and BID Fund. These funds are reported on the fund financial statements as "Other Governmental Funds".

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds:

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

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

Solid Waste Fund – financed primarily by user charges this fund accounts for the operation of the Materials Recovery Facility. 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 and similar fiduciary fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 Hot Springs is 30 days. The revenues which are accrued at December 31, 2012 are sales tax, grant revenues and liquor operating agreements.

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

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

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with a term to maturity at date of acquisition of three months or less.

The City held no investments at December 31, 2012.

e. Capital Assets

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

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

Government-Wide 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 estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The total December 31, 2012 balance of governmental activities capital assets includes approximately two percent for which the costs were determined by estimates of the original costs. The total December 31, 2012 balance of business-type capital assets includes approximately one percent for which the costs were determined by estimations of the original cost. These estimated original 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, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation 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 is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -0-	----N/A-----	----N/A-----
Improvements Other Than Buildings	\$ 5,000	Straight-line	10-25 yrs.
Buildings	\$ 5,000	Straight-line	30-50 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	3-25 yrs.
Infrastructure	\$ 5,000	Straight-line	50 yrs.
Utility property and Improvements	\$ 5,000	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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. Program Revenues

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

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

h. Proprietary Funds Revenue and Expense Classifications

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

i. 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.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

j. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in three components

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net assets 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.

k. Application of Net Position:

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

l. 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.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amount 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 or 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.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded):

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 City 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.

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

Major Special Revenue Fund	Revenue Source
Sales Tax Fund	Sales Tax

NOTE 2. DEFICIT FUND BALANCES OF INDIVIDUAL NONMAJOR FUNDS:

As of December 31, 2012, the following nonmajor fund had a deficit fund balance in the amount shown:

Freedom Trail Fund	\$ 1,187
--------------------	----------

NOTE 3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

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

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 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 only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of December 31, 2012, the City had no investments.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK(Continued):

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 maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

NOTE 4. RESTRICTED CASH AND CASH EQUIVALENTS:

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

Amount:	Purpose:
\$ 5,321	Library Board Trust Account restricted for library expenditures

NOTE 5. RECEIVABLES AND PAYABLES:

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

NOTE 6. INVENTORY:

Inventory in the General Fund consists of items purchased for resale in golf course operations. Inventory is recorded at cost.

Inventory in the proprietary funds consists of expendable supplies held for consumption.

Government-wide Financial Statements:

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

Fund Financial Statements:

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

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. PROPERTY TAXES:

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

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

NOTE 8. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2012 is as follows:

	<u>Balance</u> <u>01/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/12</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 364,571	\$ -	\$ -	\$ 364,571
Capital Assets being Depreciated:				
Buildings	3,785,091	818,783	-	4,603,874
Improvements Other than Buildings	3,358,067	717,686	-	4,075,753
Machinery and Equipment	2,192,074	92,155	-	2,284,229
Total	<u>9,335,232</u>	<u>1,628,624</u>	<u>-</u>	<u>10,963,856</u>
Less Accumulated Depreciation For:				
Buildings	1,224,175	83,291	-	1,307,466
Improvements Other Than Buildings	1,810,314	126,632	-	1,936,946
Machinery and Equipment	1,768,561	117,138	-	1,885,699
Total Accumulated Depreciation	<u>4,803,050</u>	<u>327,061</u>	<u>-</u>	<u>5,130,111</u>
Total Governmental Activities Capital Assets Being Depreciated - Net	<u>4,532,182</u>	<u>1,301,563</u>	<u>-</u>	<u>5,833,745</u>
Governmental Activities Capital Assets - Net	<u>\$ 4,896,753</u>	<u>\$ 1,301,563</u>	<u>\$ -</u>	<u>\$ 6,198,316</u>

Depreciation Expense Was Charged to functions as follows:

Governmental Activities:	
General Government	\$ 3,815
Public Safety	23,560
Public Works	134,715
Culture and Recreation	164,971
Unallocated	-
Total Depreciation Expense-Governmental Activities	<u>\$ 327,061</u>

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8. CHANGES IN CAPITAL ASSETS (Continued):

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 57,320	\$ -	\$ -	\$ 57,320
Construction Work in Progress	1,436,911	589,275	2,026,186	-
Total not being depreciated	<u>1,494,231</u>	<u>589,275</u>	<u>2,026,186</u>	<u>57,320</u>
Capital Assets being Depreciated:				
Buildings	4,501,335	-	-	4,501,335
Improvements Other than Buildings	5,743,518	2,026,186	-	7,769,704
Machinery and Equipment	1,716,643	5,520	-	1,722,163
Total	<u>11,961,496</u>	<u>2,031,706</u>	<u>-</u>	<u>13,993,202</u>
Less Accumulated Depreciation For:				
Buildings	2,698,831	108,661	-	2,807,492
Improvements Other Than Buildings	2,200,433	191,462	-	2,391,895
Machinery and Equipment	1,124,252	87,802	-	1,212,054
Total Accumulated Depreciation	<u>6,023,516</u>	<u>387,925</u>	<u>-</u>	<u>6,411,441</u>
Total Governmental Activities Capital Assets Being Depreciated - Net	<u>5,937,980</u>	<u>1,643,781</u>	<u>-</u>	<u>7,581,761</u>
Business-Type Activities Capital Assets - Net	<u>\$ 7,432,211</u>	<u>\$ 2,233,056</u>	<u>\$ -</u>	<u>\$ 7,639,081</u>
Depreciation Expense Was Charged to functions as follows:				
Business Type Activities				
Water		\$ 123,497		
Sewer		194,652		
Solid Waste		69,776		
Total Depreciation Expense-Business-Type Activities		<u>\$ 387,925</u>		

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS:

A summary of changes in component unit capital assets for the eighteen months ended December 31, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 131,796	\$ -	\$ -	\$ 131,796
Construction in Progress	27,872	38,474	8,261	58,085
Buildings	6,456,616	215,659	94,709	6,577,566
Furniture and Equipment	176,364	17,369	-	193,733
Idle Capital Assets	1,293,588	-	-	1,293,588
Depreciation	(2,799,824)	(251,545)	4,365	(3,047,004)
Total	\$ 8,086,236	\$ 271,502	\$ 102,970	\$ 5,207,764

NOTE 10. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Government Activities:					
Bonds Payable:					
Revenue Bonds	\$ 388,618	\$ -	\$(124,833)	\$ 263,785	\$ 129,482
Total Debt	388,618	-	(124,833)	263,785	129,482
Accrued Compensated Absences	118,278	31,392	-	149,670	-
Total Governmental Activities	506,896	-	(124,833)	413,455	129,482
Business Type Activities:					
Bonds Payable:					
Revenue Bonds	1,386,725	2,110,380	(67,774)	3,429,331	138,257
Total Debt	1,386,725	2,110,380	(67,774)	3,429,331	138,257
Accrued Compensated Absences	42,854	-	(16,330)	26,524	-
Total Business-Type Activities	1,429,579	2,110,380	(84,104)	3,455,855	138,257
Total Primary Government	\$ 1,936,475	\$ 2,110,380	\$(208,937)	\$ 3,869,310	\$ 267,739
Component Unit:					
Note Payable	\$ 3,281,489	\$ -	\$(128,397)	\$ 3,153,092	\$ 137,378
Compensated Absences	16,619	7,574	(13,661)	10,532	7,812
Total Component Unit	\$ 3,298,108	\$ 7,574	\$(142,058)	\$ 3,163,624	\$ 145,190

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10. LONG-TERM DEBT (Continued):

Debt payable at December 31, 2012 is comprised of the following:

Revenue Bonds:

Sales Tax Revenue Bonds Series 2009; due in semi-annual installments on October 2 and April 2; interest at 3.69%; this debt is paid by the Sales Tax Fund; final payment due October 2014.	\$ 263,786
Sewer Revenue Bonds Series 2010; due in 480 monthly installments; Interest at 3.25%; this debt is paid by the Sewer Fund; final payment due in December 2046.	\$ 377,281
SRF Revenue Bond; due in monthly installments; interest at 5%; this debt is paid by the Solid Waste Fund; final payment due in October 2015.	\$ 188,718
Drinking Water Revenue Bond; due in quarterly installments beginning in April 2013; interest at 3%; this debt is paid by the Water Fund; final payment due in 2033.	\$ 1,636,000
Sewer Revenue Bond; due in quarterly installment beginning in July 2013; interest at 3%; this debt is paid by the Sewer Fund; final Payment due July 2033.	\$ 1,227,332
Compensated Absences:	
General Long Term Debt	\$ 149,670
Enterprise Funds	\$ 26,524

The annual requirements to amortize all debt outstanding as of December 31, 2012, except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt
 December 31, 2012

Year	Revenue Bonds	
Ending Dec 31,	Principal	Interest
2013	\$ 267,739	\$ 121,392
2014	316,851	103,209
2015	171,655	92,523
2016	120,812	87,567
2017	124,493	83,885
2018-2022	681,731	360,162
2023-2027	792,117	249,775
2028-2032	920,387	121,505
2033-2037	122,142	33,402
2038-2042	64,240	23,120
2043-2047	75,558	11,802
2048-2051	35,391	1,009
	\$ 3,693,116	\$ 1,289,351

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11. UTILITY REVENUE PLEDGED TO SERVICE DEBT

Drinking Water Bond Series 2011 - The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1.636 million in water system revenue bonds issued in March 2011. Proceeds from the bonds provided financing for improvements to the existing water system. The bonds are payable solely from water customer net revenues and are payable through July 2033.

Solid Waste SRF Revenue Bond – The City has pledged future revenues of its solid waste system, net of specified operating expenses, to repay \$930,000 in revenue bonds issued in January 1994. Proceeds from the bonds provided financing for the closure of the existing landfill and construction of a solid waste transfer station and restricted use site. The bonds are payable solely from revenues of the solid waste system and are payable through October 2015.

Sewer Revenue Bond Series 2010 – The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$385,000 in sewer system revenue bonds issued in July 2010. Proceeds from the bonds provided financing for replacement of sewer lines. The bonds are payable solely from sewer customer net revenue and are payable through 2050.

Sewer Revenue Bonds Series 2011 – the City has pledged future sewer customer revenues, net of specified operating expenses and net of debt service required on other bonds, to repay \$1.227 million in sewer revenue bonds issued in March 2011. Proceeds from the bonds provided financing for sewer infrastructure rehabilitation and upgrade. The bonds are payable solely from sewer customer net revenues and are payable through 2033.

NOTE 12. RETIREMENT PLAN:

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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 by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$79,796, \$ 87,360, and \$92,468 respectively, equal to the required contributions each year.

NOTE 13. MUNICIPAL OPERATING AGREEMENT:

The City has entered into municipal operating agreements with all off-sale and on-sale liquor establishments in the City of Hot Springs, calling for an annual liquor license fee along with a percentage of the cost of all liquor supplied by the municipal off-sale liquor establishment of the City of Hot Springs.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14. LITIGATION

At December 31, 2012, the City was involved in three lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits however the potential loss could exceed \$20,000 per lawsuit. The City has liability coverage for itself and its employees as discussed in the risk management note below. It is possible that all or some of the potential loss could be covered by the City's insurance coverage.

NOTE 15. SUBSEQUENT EVENT - PURCHASE OF EVANS PLUNGE

In February 2013, Initiative petitions were filed with the City calling for the City to purchase Evans Plunge and to authorize bonds pursuant to SDCL 10-52-2.10. The petitions were accepted at the February 19, 2013 City Council meeting and a special election was called for March 26, 2013. On April 1, 2013 the election was canvassed and Resolution 2013-8 was passed declaring the purchase of Evans Plunge. Several funding options were investigated but ultimately a \$1.9 million sales tax revenue bond was issued. The Plunge was purchased for \$1,495,000 and the City took over operations on July 1, 2013.

NOTE 16. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the City managed its risks as follows:

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for buildings, contents, miscellaneous property, crime and automobile physical damage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full year and Thereafter	100%

As of December 31, 2012, the City has a vested balance in the cumulative reserve fund of \$59,972.

CITY OF HOT SPRINGS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 16. RISK MANAGEMENT (Continued):

The City carries a \$100 to \$1,000 deductible for the automobile physical damage coverage and \$500 deductible for the property damage coverage.

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.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation 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 claim. 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.

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.