

**CITY OF WALL, SOUTH DAKOTA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY INFORMATION**

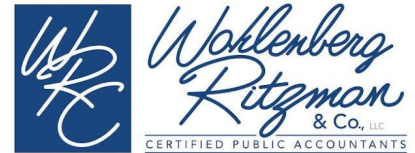
**DECEMBER 31, 2022**

# CITY OF WALL

## Table of Contents

	Page
Independent Auditor's Report .....	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis .....	4
Statement of Activities – Modified Cash Basis .....	5
Fund Financial Statements:	
Balance Sheet – Modified Cash Basis - Governmental Funds .....	6
Statement of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis - Governmental Funds .....	7
Statement of Net Position – Modified Cash Basis - Proprietary Funds	8
Statement of Receipts, Disbursements, and Changes in Fund Net Position – Modified Cash Basis - Proprietary Funds .....	9
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds .	10
Notes to Modified Cash Basis Financial Statements .....	11
Supplementary Information .....	30
Budgetary Comparison Schedule – Modified Cash Basis - General Fund.....	31
Notes to Supplementary Information - Budgets .....	33
Schedule of the Proportionate Share of the Net Pension Liability/(Asset) .....	34
Schedule of Contributions .....	35
Notes to Supplementary Information - Pension .....	36
Schedule of Changes in Long-Term Debt.....	38
Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds .....	39
Schedule of Receipts, Disbursements and Changes in Fund Balances Modified Cash Basis – Nonmajor Governmental Funds.....	40

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> .....	41
Summary Schedule of Prior Audit Findings .....	43
Schedule of Findings and Responses .....	45



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Wall, South Dakota

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wall, South Dakota (the "City")**, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in its modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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.

### Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

**MADISON OFFICE:** 205 North Egan Ave. | PO Box 505 | Madison, SD 57042 | (605) 256-9165

**YANKTON OFFICE:** 207 Douglas Ave. | PO Box 1018 | Yankton, SD 57078 | (605) 665-4401

**SIOUX FALLS OFFICE:** 3600 S Westport, Suite 101 | Sioux Falls, SD 57106 | (605) 336-0372

**EMAIL:** [wrc@wrccpa.com](mailto:wrc@wrccpa.com)

**TOLL FREE:** 1-800-456-0889

**FAX #:** (605) 665-0592



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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional 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 purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedule, the schedule of the City's proportionate share of the net pension liability (asset), the schedule of the City's contributions, the schedule of changes in long-term debt, and the combining schedules of the non-major funds financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the budgetary comparison schedule, the schedule of the City's proportionate share of the net pension liability (asset), the city's schedule of contributions, the schedule of changes in long-term debt, and the combining schedules of the non-major funds financial statements are 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 January 29, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Wohlschlag Ritzman + Co., LLC*

Yankton, South Dakota  
January 29, 2024

**CITY OF WALL**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,525,738	\$ 1,439,383	\$ 3,965,121
Certificates of deposit	<u>534,157</u>	<u>-</u>	<u>534,157</u>
Total assets	<u>3,059,895</u>	<u>1,439,383</u>	<u>4,499,278</u>
<b>NET POSITION</b>			
Restricted for:			
Conservation and development	261,587	-	261,587
Shearer addition	8,126	-	8,126
Clinic	26,059	-	26,059
Customer deposits	-	2,870	2,870
Unrestricted	<u>2,764,123</u>	<u>1,436,513</u>	<u>4,200,636</u>
Total net position	<u>\$ 3,059,895</u>	<u>\$ 1,439,383</u>	<u>\$ 4,499,278</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 921,521	\$ 15,709	\$ 85,003	\$ (820,809)		\$ (820,809)
Public safety	291,154	7,980	29,644	(253,530)		(253,530)
Public works	864,287	7,200	305,129	(551,958)		(551,958)
Health and welfare	62,867	-	-	(62,867)		(62,867)
Culture and recreation	434,022	2,349	20,075	(411,598)		(411,598)
Conservation and development	261,596	-	-	(261,596)		(261,596)
Interest on long-term debt	9,400	-	-	(9,400)		(9,400)
Total governmental activities	<u>2,844,847</u>	<u>33,238</u>	<u>439,851</u>	<u>(2,371,758)</u>		<u>(2,371,758)</u>
Business-type activities:						
Water	193,069	248,410	-		\$ 55,341	55,341
Solid waste	1,037,777	176,881	-		(860,896)	(860,896)
Waste water	119,098	135,600	-		16,502	16,502
Total business-type activities	<u>1,349,944</u>	<u>560,891</u>	<u>-</u>		<u>(789,053)</u>	<u>(789,053)</u>
Total primary government	<u>\$ 4,194,791</u>	<u>\$ 594,129</u>	<u>\$ 439,851</u>		<u>(789,053)</u>	<u>(789,053)</u>
General receipts:						
Taxes:						
Property taxes				362,480	-	362,480
Sales taxes				1,743,315	-	1,743,315
State and county shared receipts				9,463	-	9,463
Unrestricted investment earnings				15,163	9,777	24,940
Debt issued				220,150	-	220,150
Miscellaneous				103,809	-	103,809
Transfers				(931,711)	931,711	-
Total general receipts and transfers				<u>1,522,669</u>	<u>941,488</u>	<u>2,464,157</u>
Change in net position				(849,089)	152,435	(696,654)
Net position - beginning				<u>3,908,984</u>	<u>1,286,948</u>	<u>5,195,932</u>
Net position - ending				<u>\$ 3,059,895</u>	<u>\$ 1,439,383</u>	<u>\$ 4,499,278</u>

The accompanying notes are an  
integral part of these financial statements



**CITY OF WALL**

**BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,025,607	\$ 500,131	\$ 2,525,738
Certificates of deposit	<u>396,229</u>	<u>137,928</u>	<u>534,157</u>
 Total assets	 <u>\$ 2,421,836</u>	 <u>\$ 638,059</u>	 <u>\$ 3,059,895</u>
<b>FUND BALANCES</b>			
Restricted:			
Conservation and development	\$ -	\$ 261,587	\$ 261,587
Shearer Addition	8,126	-	8,126
Clinic	26,059	-	26,059
Assigned:			
Airport	116,627	-	116,627
Fire department	-	136,250	136,250
Library	-	100,931	100,931
Cemetery	-	139,291	139,291
Next year's budget	2,040	-	2,040
Unassigned	<u>2,268,984</u>	<u>-</u>	<u>2,268,984</u>
 Total fund balances	 <u>\$ 2,421,836</u>	 <u>\$ 638,059</u>	 <u>\$ 3,059,895</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	<u>Major</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>RECEIPTS</b>			
Taxes	\$ 1,925,483	\$ 180,312	\$ 2,105,795
Licenses and permits	15,709	-	15,709
Intergovernmental revenue	400,347	17,632	417,979
Charges for goods and services	2,349	-	2,349
Fines and fees	-	15,180	15,180
Miscellaneous	<u>78,220</u>	<u>52,917</u>	<u>131,137</u>
Total receipts	<u>2,422,108</u>	<u>266,041</u>	<u>2,688,149</u>
<b>DISBURSEMENTS</b>			
General government	344,106	-	344,106
Public safety	178,752	57,689	236,441
Public works	500,114	5,000	505,114
Health and welfare	50,000	-	50,000
Culture and recreation	329,943	44,412	374,355
Conservation and development	110,105	121,407	231,512
Debt service:			
Principal	60,440	67,777	128,217
Interest	-	9,400	9,400
Capital outlay	<u>948,682</u>	<u>17,020</u>	<u>965,702</u>
Total disbursements	<u>2,522,142</u>	<u>322,705</u>	<u>2,844,847</u>
Excess (deficiency) of receipts over disbursements	<u>(100,034)</u>	<u>(56,664)</u>	<u>(156,698)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	81,732	81,732
Transfers out	(1,013,443)	-	(1,013,443)
Debt proceeds	220,150	-	220,150
Proceeds from the sale of property	15,335	-	15,335
Compensation for loss or damage	<u>3,835</u>	<u>-</u>	<u>3,835</u>
Total other financing sources (uses)	<u>(774,123)</u>	<u>81,732</u>	<u>(692,391)</u>
Net change in fund balances	(874,157)	25,068	(849,089)
Fund balances - beginning	<u>3,295,993</u>	<u>612,991</u>	<u>3,908,984</u>
Fund balances - ending	<u>\$ 2,421,836</u>	<u>\$ 638,059</u>	<u>\$ 3,059,895</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2022

	Enterprise Funds			
	Major			Total
	Water	Waste Water	Solid Waste	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 518,155	\$ 548,181	\$ 373,047	\$ 1,439,383
Total assets	<u>518,155</u>	<u>548,181</u>	<u>373,047</u>	<u>1,439,383</u>
<b>NET POSITION</b>				
Restricted	2,870	-	-	2,870
Unrestricted	<u>515,285</u>	<u>548,181</u>	<u>373,047</u>	<u>1,436,513</u>
Total net position	<u>\$ 518,155</u>	<u>\$ 548,181</u>	<u>\$ 373,047</u>	<u>\$ 1,439,383</u>

The accompanying notes are an  
 integral part of these financial statements

**CITY OF WALL**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds			
	Major			
	Water	Waste Water	Solid Waste	Total
<b>OPERATING RECEIPTS</b>				
Charges for goods and services	\$ 248,410	\$ 176,881	\$ 117,356	\$ 542,647
Other operating receipts	<u>-</u>	<u>-</u>	<u>18,244</u>	<u>18,244</u>
Total operating receipts	<u>248,410</u>	<u>176,881</u>	<u>135,600</u>	<u>560,891</u>
<b>OPERATING DISBURSEMENTS</b>				
Personal services	30,939	34,855	27,299	93,093
Cost and materials	132,446	-	73,789	206,235
Other current expenses	28,034	29,597	17,610	75,241
Capital outlay	<u>1,650</u>	<u>973,325</u>	<u>400</u>	<u>975,375</u>
Total operating disbursements	<u>193,069</u>	<u>1,037,777</u>	<u>119,098</u>	<u>1,349,944</u>
Operating (loss) income	<u>55,341</u>	<u>(860,896)</u>	<u>16,502</u>	<u>(789,053)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>				
Interest income	<u>3,638</u>	<u>3,865</u>	<u>2,274</u>	<u>9,777</u>
Total nonoperating receipts (disbursements)	<u>3,638</u>	<u>3,865</u>	<u>2,274</u>	<u>9,777</u>
Transfer in	<u>-</u>	<u>931,711</u>	<u>-</u>	<u>931,711</u>
Total Transfers	<u>-</u>	<u>931,711</u>	<u>-</u>	<u>931,711</u>
Change in net position	58,979	74,680	18,776	152,435
Net position - beginning	<u>459,176</u>	<u>473,501</u>	<u>354,271</u>	<u>1,286,948</u>
Net position - ending	<u>\$ 518,155</u>	<u>\$ 548,181</u>	<u>\$ 373,047</u>	<u>\$ 1,439,383</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds			
	Major			
	Water	Waste Water	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 248,410	\$ 176,881	\$ 135,600	\$ 560,891
Payments to suppliers	(162,130)	(1,002,922)	(91,799)	(1,256,851)
Payments to employees	(30,939)	(34,855)	(27,299)	(93,093)
Net cash provided by (used in) operating activities	<u>55,341</u>	<u>(860,896)</u>	<u>16,502</u>	<u>(789,053)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	931,711	-	931,711
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>931,711</u>	<u>-</u>	<u>931,711</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	<u>3,638</u>	<u>3,865</u>	<u>2,274</u>	<u>9,777</u>
Net cash provided by (used in) investing activities	<u>3,638</u>	<u>3,865</u>	<u>2,274</u>	<u>9,777</u>
Net change in cash and cash equivalents	58,979	74,680	18,776	152,435
Balances - beginning of the year	<u>459,176</u>	<u>473,501</u>	<u>354,271</u>	<u>1,286,948</u>
Balances - end of the year	<u>\$ 518,155</u>	<u>\$ 548,181</u>	<u>\$ 373,047</u>	<u>\$ 1,439,383</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 55,341	\$ (860,896)	\$ 16,502	\$ (789,053)
Net cash provided by (used in) operating activities	<u>\$ 55,341</u>	<u>\$ (860,896)</u>	<u>\$ 16,502</u>	<u>\$ (789,053)</u>

The accompanying notes are an  
 integral part of these financial statements

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further below, these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (US GAAP) as described within this note. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

##### **Reporting Entity**

The reporting entity of the City of Wall (City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

##### **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. These statements 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 receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

###### *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, receipts, and disbursements. The funds of the City 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, receipts, or disbursements 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, receipts, or disbursements 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 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 and report the proceeds of specific receipt sources (other than expendable trusts or major capital projects) that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The City has the following special revenue funds:

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

##### *Fund Financial Statements, continued:*

##### Governmental Funds, continued:

Liquor, Lodging and Dining Gross Receipts Tax Fund - to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

Fire Department Fund - To account for all financial resources of the fire department. Activities are financed through services provided by the department, donations, and other sources. This is not a major fund.

Cemetery Fund - To account for all financial resources of the cemetery. Activities are financed through cemetery services, donations, and other sources. This is not a major fund.

Library Fund - To account for all financial resources of the library. Activities are financed through library fees, donations, and other sources. This is not a major fund.

##### Proprietary Funds:

*Enterprise Funds* - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria are 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.)



## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Basis of Presentation, continued**

###### *Fund Financial Statements, continued:*

###### *Proprietary Funds, continued:*

- b. Laws or regulations require that the activity's costs of providing services, including costs (such as 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 costs (such as debt service).

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

Waste Water Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. This is a major fund.

Solid Waste Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the city solid waste system and related facilities. This is a major fund.

##### **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" receipts and disbursements are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than US GAAP. Under US GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

###### 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 within the limitations of the modified cash basis of accounting as defined below.

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

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used, applied within the limitations of the modified cash basis of accounting as defined below.

###### Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet/statement of net position reports only cash and cash equivalents and certificates of deposit, and investments. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements include the recording of certificates of deposit arising from cash transactions. The City also presents negative cash balances rather than interfund loans.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

##### **Basis of Accounting, continued:**

If the City applied accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

##### **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.

##### **Capital Assets**

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, 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 significantly greater number of years than most capital assets.

As discussed above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

Long-term liabilities include, but are not limited to, notes payable.

As discussed above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions, so any outstanding indebtedness is not reported on the financial statements of the City.

The City reports the principal and interest payments on long-term debt as Debt Service disbursements on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis. On the Statement of Activities, the principal portion of the Debt Service payments are reported within the appropriate expense function, while the interest portion is reported as Interest on Long-term Debt.

The City has presented, as Supplementary Information, a Schedule of Changes in Long-Term Debt along with related notes that include details of any Long-Term Debt.

##### **Revenue Received in Advance**

Under the modified cash basis of accounting, cash may have been received in advance of the City providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

##### **Program Receipts**

Program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts 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.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Proprietary Funds Receipts and Disbursements Classifications**

Operating receipts and disbursements for proprietary revenues and expenses are classified as operating or non-operating revenues and expenses. Operating receipts and disbursements directly relate to the purpose of the fund.

##### **Equity Classifications**

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

Equity is classified as net position and is displayed in two components under the modified cash basis:

*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.

*Unrestricted net position* - All other net position that does not meet the definition of "restricted."

The City uses restricted amounts first when both restricted and unrestricted net position is available unless there are legal documents or contracts that prohibit doing so, such as a grant agreement requiring dollar-for-dollar spending.

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

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinances of the City Council.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Equity Classifications, continued**

###### *Fund Financial Statements, continued:*

*Assigned* - Amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. The City Council assigns amounts through approved Council actions that occur during City Council meetings.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

The City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing so, 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. Proprietary fund equity is classified the same as in the government-wide financial statements.

##### **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.

#### **2. DEPOSITS AND INVESTMENTS**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. All governmental and proprietary funds essentially have access to the entire amount of their cash resources on demand. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 2. DEPOSITS AND INVESTMENTS, continued

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 public 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 Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (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); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City has adopted a formal investment policy. It requires all depositories to provide full insurance or collateralization of all deposits and provide a report evidencing collateralization to the City. As of December 31, 2022, the City’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Investments** – As of December 31, 2022, the City had no investments.

**Authorized Investments by the City** – The City has adopted a formal investment policy. It does not further limit investments beyond those imposed by statutes.

**Credit Risk** – State law limits eligible investments for the City, as discussed above. The City has adopted a formal investment policy. It does not further limit its investment choices.

**Concentration of Credit Risk** – The City has adopted a formal investment policy. It places no limit on the amount that may be invested in any one issuer.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 2. DEPOSITS AND INVESTMENTS, continued

**Interest Rate Risk** – The City has adopted a formal investment policy. It does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It does require at least an amount equal to a historical average of two months worth of City expenditures be accessible for use by the City in one day's notice

**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.

#### 3. INTERFUND TRANSFERS

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

	Transfers To	Transfers From
<i>Governmental activities:</i>		
General Fund:		
Fire Department Fund	\$ 58,800	\$ -
Library Fund	17,632	-
Cemetery Fund	5,300	-
Waste Water Fund	931,711	-
	<u>1,013,443</u>	<u>-</u>
Fire Department Fund:		
General Fund	<u>-</u>	58,800
Library Fund:		
General Fund	<u>-</u>	17,632
Cemetery Fund:		
General Fund	<u>-</u>	5,300
<i>Total governmental activities</i>	<u>1,013,443</u>	<u>81,732</u>
<i>Business-type activities:</i>		
Waste Water Fund:		
General Fund	<u>-</u>	931,711
<i>Total business-type activities</i>	<u>-</u>	931,711
<i>Total primary government</i>	<u>\$ 1,013,443</u>	<u>\$ 1,013,443</u>



## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **3. INTERFUND TRANSFERS, continued**

Activity includes transfers from the General Fund to the Fire Department Fund, Library Fund and Cemetery Fund budgeted to conduct the indispensable functions of the City. The transfer from the General Fund to the Waste Water Fund was to assist with funding of capital projects.

#### **4. PENSION PLAN**

##### **Plan Information**

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

##### **Benefits Provided**

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

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

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 4. PENSION PLAN, continued

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

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

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

##### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020 was \$19,042 \$18,401, and \$17,432, respectively, equal to the required contributions each year.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 4. PENSION PLAN, continued

##### **Pension (Asset)/Liability**

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 the South Dakota Retirement System, for the City as of the measurement period ending June 30, 2022 and reported by the City as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$1,857,183
Less proportionate share of net pension restricted for pension benefits	<u>1,858,426</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,243)</u>

At December 31, 2022, the City had an (asset)/liability of (\$1,243) for its proportionate share of the net pension (asset)/liability. The net pension (asset)/liability was measured as of June 30, 2022 and the total pension (asset)/liability used to calculate the net pension (asset)/liability was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was 0.01315600% which was an decrease of (0.0003890%) from its proportion measured as of June 30, 2021.

##### **Actuarial Assumptions**

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

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

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 4. PENSION PLAN, continued

##### **Actuarial Assumptions, continued**

###### Mortality Rates:

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010
  - Public Safety Members: PubS-2010
- Retired Members:
  - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
  - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
  - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
  - PubG-2010 contingent survivor mortality table
- Disabled Members:
  - Public Safety: PubS-2010 disabled member mortality table
  - Others: PubG-2010 disabled member mortality table

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

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

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 4. PENSION PLAN, continued

##### **Actuarial Assumptions, continued**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	<u>2.0%</u>	<u>0.4%</u>
Total	<u>100%</u>	<u>2.7%</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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

##### **Sensitivity of liability (asset) to changes in the discount rate**

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension 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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 258,165	\$ (1,243)	\$ (213,248)

##### **Pension Plan Fiduciary Net Position**

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

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 5. RESTRICTED NET POSITION

The following table shows restricted net position and the purpose for such restriction as presented in the statement of net position – modified cash basis:

Purpose	Restricted By	Amount
Major Purposes:		
City promotion	State Law	\$ 261,857
Restricted use	Agreement	34,185
Customer deposits held	State Law	2,870
		<u>\$ 298,912</u>

#### 6. CONTRACTS

The City is party to a contract agreement for solid waste collection. The contract requires the City to make payments to the contractor on a monthly basis based on the unit prices agreed upon by each party. Total payments on this contract during the year ended December 31, 2022 were \$73,789. This contract will remain in effect until June 30, 2024.

The City is party to a contract agreement with Regional Health Physicians, Inc., a South Dakota nonprofit corporation, to lease the Wall Clinic and associated property. The lease does not require a payment as long as Regional Health Physicians, Inc. operates as a non-profit organization. The original agreement expired on February 28, 2019. The agreement automatically renews for successive five year terms unless one party notifies the other of its intention to terminate the lease. The City holds title to the property, building and some equipment.

The City is party to a contract agreement with the Pennington County Sheriff's Office, State of South Dakota, to provide law enforcement services. The contract requires the City to make payments to the contractor on a quarterly basis. Total payments on this contract during the year ended December 31, 2022 were \$175,861. This contract will remain in effect until January 1, 2024.

#### 7. 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 period ended December 31, 2022, the City managed its risks as follows:

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **7. RISK MANAGEMENT, continued**

##### **Employee Health Insurance**

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

##### **Liability Insurance**

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

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

The City has no deductible for the general liability coverage and a \$500 deductible for the errors and omissions of public officials' coverage.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2022**

#### **7. RISK MANAGEMENT, continued**

##### **Liability Insurance, continued**

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

##### **Worker's Compensation**

The City joined the South Dakota Municipal 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 not exceeded the liability coverage over the past three years.

##### **Unemployment Benefits**

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The City has not reserved equity for the payment of future unemployment benefits due to prior claims experience. During the year ended December 31, 2022, no claims for unemployment benefits were paid. At December 31, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.



## SUPPLEMENTARY INFORMATION

**CITY OF WALL**

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND - PAGE 1 OF 2  
YEAR ENDED DECEMBER 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes:				
General property taxes	\$ 365,416	\$ 365,416	\$ 361,735	\$ (3,681)
General sales and use taxes	1,200,000	1,200,000	1,563,003	363,003
Penalties and interest on delinquent taxes	-	-	745	745
Licenses and permits	14,550	14,550	15,709	1,159
Intergovernmental revenue:				
Federal grants	78,000	78,000	340,723	262,723
State shared revenues	26,000	26,000	32,149	6,149
County shared revenues	20,000	20,000	26,035	6,035
Other governmental revenues	1,000	1,000	1,440	440
Charges for goods and services:				
Culture and recreation	1,500	1,500	2,349	849
Miscellaneous revenue:				
Interest earned	6,000	6,000	12,885	6,885
Rentals	24,000	24,000	36,817	12,817
Contributions and donations from private sources	661,000	661,000	400	(660,600)
Other	5,000	5,000	28,118	23,118
Total receipts	<u>2,402,466</u>	<u>2,402,466</u>	<u>2,422,108</u>	<u>19,642</u>
<b>DISBURSEMENTS</b>				
General government:				
Legislative	18,050	18,050	14,997	3,053
Contingency	60,000	60,000	-	60,000
(Amount transferred)				
Elections	1,500	1,500	954	546
Financial administration	125,948	125,948	116,360	9,588
Other	181,400	881,400	789,210	92,190
Public safety:				
Police	189,122	189,122	178,752	10,370
Public works:				
Highways and streets	2,480,113	2,480,113	603,439	1,876,674
Airport	274,250	274,250	255,848	18,402
Health and welfare:				
Ambulance	65,500	65,500	62,867	2,633
Culture and recreation:				
Recreation	221,700	229,400	163,175	66,225
Parks	77,099	77,099	59,703	17,396
Auditorium	107,368	174,368	166,732	7,636

See Independent Auditor's Report

**CITY OF WALL**

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND - PAGE 2 OF 2  
YEAR ENDED DECEMBER 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>DISBURSEMENTS, continued</b>				
Conservation and development:				
Economic development and assistance	<u>134,868</u>	<u>134,868</u>	<u>110,105</u>	<u>24,763</u>
Total disbursements	<u>3,936,918</u>	<u>4,711,618</u>	<u>2,522,142</u>	<u>2,189,476</u>
Excess (deficiency) of receipts over disbursements	<u>(1,534,452)</u>	<u>(2,309,152)</u>	<u>(100,034)</u>	<u>2,209,118</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,371,696)	(1,371,696)	(1,013,443)	358,253
Proceeds from debt proceeds	-	-	220,150	220,150
Proceeds from sale of property	-	-	15,335	15,335
Compensation for loss or damage	<u>-</u>	<u>-</u>	<u>3,835</u>	<u>3,835</u>
Total other financing sources (uses)	<u>(1,371,696)</u>	<u>(1,371,696)</u>	<u>(774,123)</u>	<u>597,573</u>
Net change in fund balances	(2,906,148)	(3,680,848)	(874,157)	2,806,691
Fund balances - beginning	<u>3,295,993</u>	<u>3,295,993</u>	<u>3,295,993</u>	<u>-</u>
Fund balances - ending	<u>\$ 389,845</u>	<u>\$ -384,855</u>	<u>\$ 2,421,836</u>	<u>\$ 2,806,691</u>

See Independent Auditor's Report

## **CITY OF WALL**

### **NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS DECEMBER 31, 2022**

#### **1. BUDGETS AND BUDGETARY ACCOUNTING**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual disbursements 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 municipal budget and may be transferred by resolution of the City Council 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 City Council.

The City did not encumber any amounts at December 31, 2022.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue fund.
7. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with US GAAP applied within the context of the modified cash basis of accounting present capital outlay disbursement information in a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements 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 disbursement on the Governmental Funds Statement of Receipts, Disbursements and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as a disbursement of the Public Safety/Fire Department function of government, along with all other current Fire Department related disbursements.

**CITY OF WALL**

**SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

South Dakota Retirement System

Last 10 Years \*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability/(asset)	0.0095141%	0.0113494%	0.0116678%	0.0129034%	0.0133702%
City's proportionate share of net pension liability (asset)	\$ (40,352)	\$ 38,337	\$ (1,059)	\$ (301)	\$ (1,417)
City's covered-employee payroll	\$ 173,700	\$ 215,817	\$ 237,067	\$ 268,250	\$ 284,278
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.23%	17.76%	0.45%	0.11%	0.50%
Plan fiduciary net position as a percentage of the total pension liability	104.10%	96.89%	100.10%	100.02%	100.09%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
City's proportion of the net pension liability/(asset)	0.0127508%	0.0135450%	0.0131560%		
City's proportionate share of net pension liability (asset)	\$ (544)	\$ (103,731)	\$ (1,243)		
City's covered-employee payroll	\$ 279,837	\$ 307,351	\$ 314,150		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.19%	33.75%	0.40%		
Plan fiduciary net position as a percentage of the total pension liability	100.04%	105.52%	100.10%		

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

**CITY OF WALL**

**SCHEDULE OF CONTRIBUTIONS**

**South Dakota Retirement System**

Last 10 Years \*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 14,770	\$ 13,903	\$ 11,451	\$ 16,771	\$ 17,264
Contributions in relation to the contractually required contribution	<u>\$ 14,770</u>	<u>\$ 13,903</u>	<u>\$ 11,451</u>	<u>\$ 16,771</u>	<u>\$ 17,264</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 246,167	\$ 231,717	\$ 190,850	\$ 279,511	\$ 287,734
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
Contractually required contribution	\$ 17,432	\$ 18,401	\$ 19,042		
Contributions in relation to the contractually required contribution	<u>\$ 17,432</u>	<u>\$ 18,401</u>	<u>\$ 19,042</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 290,499	\$ 306,683	\$ 317,360		
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%		

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

## **CITY OF WALL**

### **NOTES TO SUPPLEMENTARY INFORMATION - PENSION DECEMBER 31, 2022**

#### **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.

## **CITY OF WALL**

### **NOTES TO SUPPLEMENTARY INFORMATION – PENSION, CONTINUED DECEMBER 31, 2022**

#### **Actuarial Assumption Changes, continued**

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

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

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

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

#### **Actuarial Method Changes**

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



**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN LONG-TERM DEBT  
YEAR ENDED DECEMBER 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Notes payable	\$ 348,972	\$ 220,150	\$ (128,217)	\$ 440,905
Total governmental activities	<u>348,972</u>	<u>220,150</u>	<u>(128,217)</u>	<u>440,905</u>
Total Primary Government	<u>\$ 348,972</u>	<u>\$ 220,150</u>	<u>\$ (128,217)</u>	<u>\$ 440,905</u>

Debt payable is comprised of the following:

Notes Payable:

Local Financial Institution - Community Center/City Hall Remodel - 3.12% interest, \$35,045 annual payment, final maturity September 2026 Retired by the Liquor and Lodging Tax Fund	\$ 127,883
Local Financial Institution - Fire Truck - 3.90% interest, \$2,219 monthly payment, final maturity May 2032 Retired by the Fire Department Fund	208,802
REED, Inc. - Ambulance - 0% interest, \$1,287 monthly payment, final maturity September 2029 Retired by the General Fund	<u>104,220</u>
	<u>\$ 440,905</u>

Annual Requirement to Amortize Long Term Liabilities  
Governmental Activities

Year Ending December 31,	Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 64,823	\$ 11,856	\$ 76,679
2024	66,537	10,142	76,679
2025	68,312	8,367	76,679
2026	69,844	6,530	76,374
2027	37,429	4,638	42,067
2028 - 2032	<u>133,960</u>	<u>9,558</u>	<u>143,518</u>
Total	<u>\$ 440,905</u>	<u>\$ 51,091</u>	<u>\$ 491,996</u>

See Independent Auditor's Report

**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
BALANCE SHEET - MODIFIED CASH BASIS -  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022

	Special Revenue Funds				Total Nonmajor Funds
	Lodging and Dining Tax	Fire Department	Library	Cemetery	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 225,890	\$ 136,250	\$ 73,041	\$ 64,950	\$ 500,131
Certificates of deposit	<u>35,697</u>	<u>-</u>	<u>27,890</u>	<u>74,341</u>	<u>137,928</u>
Total assets	<u>\$ 261,587</u>	<u>\$ 136,250</u>	<u>\$ 100,931</u>	<u>\$ 139,291</u>	<u>\$ 638,059</u>
<b>FUND BALANCES</b>					
Restricted:					
Conservation and development	\$ 261,587	\$ -	\$ -	\$ -	\$ 261,587
Assigned:					
Fire department	-	136,250	-	-	136,250
Library	-	-	100,931	-	100,931
Cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,291</u>	<u>139,291</u>
Total fund balances	<u>\$ 261,587</u>	<u>\$ 136,250</u>	<u>\$ 100,931</u>	<u>\$ 139,291</u>	<u>\$ 638,059</u>

See Independent Auditor's Report

**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds				Total Nonmajor Funds
	Lodging and Dining Tax	Fire Department	Library	Cemetery	
<b>RECEIPTS</b>					
Taxes	\$ 180,312	\$ -	\$ -	\$ -	\$ 180,312
Intergovernmental revenue	-	-	17,632	-	17,632
Fines and fees	-	7,980	-	7,200	15,180
Miscellaneous	1,716	43,452	7,461	288	52,917
Total receipts	<u>182,028</u>	<u>51,432</u>	<u>25,093</u>	<u>7,488</u>	<u>266,041</u>
<b>DISBURSEMENTS</b>					
Public safety	-	57,689	-	-	57,689
Public works	-	-	-	5,000	5,000
Culture and recreation	-	-	44,412	-	44,412
Conservation and development	121,407	-	-	-	121,407
Debt service:					
Principal	30,084	37,693	-	-	67,777
Interest	4,528	4,872	-	-	9,400
Capital outlay	-	17,020	-	-	17,020
Total disbursements	<u>156,019</u>	<u>117,274</u>	<u>44,412</u>	<u>5,000</u>	<u>322,705</u>
Excess (deficiency) of receipts over disbursements	<u>26,009</u>	<u>(65,842)</u>	<u>(19,319)</u>	<u>2,488</u>	<u>(56,664)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	58,800	17,632	5,300	81,732
Total other financing sources (uses)	<u>-</u>	<u>58,800</u>	<u>17,632</u>	<u>5,300</u>	<u>81,732</u>
Net change in fund balances	26,009	(7,042)	(1,687)	7,788	25,068
Fund balances - beginning	<u>235,578</u>	<u>143,292</u>	<u>102,618</u>	<u>131,503</u>	<u>612,991</u>
Fund balances - ending	<u>\$ 261,587</u>	<u>\$ 136,250</u>	<u>\$ 100,931</u>	<u>\$ 139,291</u>	<u>\$ 638,059</u>

See Independent Auditor's Report

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 Honorable Mayor and  
Members of the City Council  
City of Wall, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wall, South Dakota (hereinafter referred to as the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2024.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2022-001 and 2022-002 that we consider to be material weaknesses.

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

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
January 29, 2024

## **CITY OF WALL**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022**

#### **FINDINGS – FINANCIAL STATEMENTS AUDIT**

##### **Finding 2021-001                      Lack of Segregation of Duties Material Weakness**

###### *Condition:*

A limited number of office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

###### *Recommendation:*

Management and the City Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. All reconciliations and journal entries should be reviewed by someone other than the staff member primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger. The Council themselves can be involved in the review process. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

###### *Current Status:*

The Finding is repeated as Finding 2022-001.

##### **Finding 2021-002      Financial Statement Preparation Material Weakness**

###### *Condition:*

The auditors were requested to assist management in drafting the financial statements and accompanying notes to the financial statements and the City did not designate an individual with the appropriate skill, knowledge, and expertise to oversee this nonattest service.

###### *Recommendation:*

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. Engagement of a separate accounting firm to assist in the preparation of the annual financial statements could be considered.

**CITY OF WALL**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2022**

**FINDINGS – FINANCIAL STATEMENTS AUDIT, continued**

**Finding 2021-002      Financial Statement Preparation, continued**

*Current Status:*

The Finding is repeated as Finding 2022-002.

## **CITY OF WALL**

### **SCHEDULE OF AUDIT FINDINGS AND RESPONSES DECEMBER 31, 2022**

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

**2022-001      Lack of Segregation of Duties  
Repeat of Finding 2021-001  
Material Weakness**

*Condition:*

A limited number of office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

*Criteria:*

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

*Cause:*

Because of the nature and size of the entity, resources are limited to provide adequate levels of control.

*Effect:*

There is an inadequate segregation of duties for these accounting functions. The staff has not divided the various tasks so that one staff member is unable to control a transaction from beginning to end.

*Recommendation:*

Management and the City Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. All reconciliations and journal entries should be reviewed by someone other than the staff member primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger. The Council themselves can be involved in the review process. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

*Management's Response:*

Management agrees with the finding and related recommendations. The City feels with the addition of the Assistant Finance Officer position procedures can be updated to address the lack of segregation of duties.



## **CITY OF WALL**

### **SCHEDULE OF AUDIT FINDINGS AND RESPONSES DECEMBER 31, 2022**

#### **FINDINGS – FINANCIAL STATEMENT AUDIT, continued**

##### **Finding 2022-002    Preparation of Financial Statements Repeat of Finding 2021-002 Material Weakness**

###### *Condition:*

The auditors were requested to assist management in drafting the financial statements and accompanying notes to the financial statements. The City did not designate an individual with the appropriate skill, knowledge, and expertise to oversee this nonattest service.

###### *Criteria:*

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

###### *Cause:*

Management and the City Council do not have the resources necessary to provide for the preparation of full disclosure financial statements.

###### *Effect:*

The disclosures in the financial statements could be incomplete.

###### *Recommendation:*

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. Engagement of a separate accounting firm to assist in the preparation of the annual financial statements should be considered.

###### *Management's Response:*

Management agrees with the finding and related recommendations. Management does accept the risk associated with the City's auditors drafting the financial statements.