

CUSTER-FALL RIVER
REGIONAL WASTE MANAGEMENT DISTRICT
FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
EDGEMONT, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

FINANCIAL SECTION

1 Independent Auditor's Report

4 Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Fund Financial Statements - Enterprise Fund:

8 Statement of Net Position as of December 31, 2022

Statement of Revenues, Expenses, and Changes in Net Position:
9 for the Year Ending December 31, 2022

Statement of Cash Flows:
10 for the Year Ending December 31, 2022

11 Notes to the Financial Statements

GOVERNMENTAL SECTION

19 Report on Compliance and Other Matters and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

21 Schedule of Prior Audit Findings

21 Schedule of Current Audit Findings and Management Responses

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
Custer-Fall River Regional Waste Management District
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

Opinion:

I have audited the accompanying financial statements of Custer-Fall River Regional Waste Management District (District), Custer and Fall River Counties, South Dakota, as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Custer-Fall River Regional Waste Management District as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Custer-Fall River Regional Waste Management District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements:

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgment made by a reasonable user based on the financial statements.

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

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 District'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information: (no opinion)

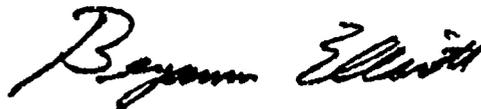
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) (page 4 to 7) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated January 6, 2024 (page 19) on my consideration of Custer-Fall River Regional Waste Management District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts

and other matters. The purpose of that report is solely to describe the scope of my 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 District'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 District's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large, stylized initial "B".

January 6, 2024

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
 EDGEMONT, SOUTH DAKOTA
 DECEMBER 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Custer-Fall River Regional Waste Management District's (District) financial report presents our discussion and analysis of the District's financial performance during the one year ending December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

The District is permitted to operate a municipal solid waste Type IIB landfill situated in Fall River County, near Edgemont, South Dakota. Under this permit the landfill is allowed to accept up to 24,999 tons of waste per year for 5 years, until February 27, 2023. The permitted area is approximately 280 acres and the active disposal area is approximately 10 acres.

FINANCIAL HIGHLIGHTS	2022
Revenue:	
Charges for goods and services	445,530
Interest income	15,580
Compactor grant	80,000
Phase II closure & drainage grant	78,816

Total	619,926

Expenses:	
Management	121,536
Engineering	76,198
Equipment	65,345
Closure/Postclosure	48,792
Other	51,203
Depreciation	186,618

Total	549,692

Increase (Decrease) in Net Position	70,234
Net Position:	
December 31, 2021	2,202,622

December 31, 2022	2,272,856
	=====

Financial highlights for 2022 are:

- * Accepted 6,704 tons of solid waste and 1,661 tons of rubble generating \$445,530 in fees.
- * Received an \$80,000 reimbursement grant for the prior year purchase of a compactor.
- * Received a \$32,000 reimbursement grant for the prior year operation of a tire shredding program.
- * Awarded a \$78,815 reimbursement grant to off-set Phase II closure and drainage improvement costs.
- * Paid \$20,957 for Phase II closure and drainage costs.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This District has no governmental funds so only enterprise fund financial statements are presented in these basic financial statements. Enterprise funds operate similar to a private business. The basic financial statements consist of: a Statement of Net Position, a Statements of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The accounting is full accrual with a focus on all economic resources of the District.

The basic financial statements consist of the:

STATEMENT OF NET POSITION - this statement includes all assets and liabilities, both financial and capital, and both short-term and long-term. Net position is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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 capital assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of 1 or 2 above.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - this statement has operating revenues (such as tipping fees), operating expenses (such as management and engineering fees), and non-operating revenue (such as state grants and interest income). This statement is full accrual and is not dependent on the receipt of cash.

STATEMENT OF CASH FLOWS - this statement shows the source and use of cash from (A) operations, (b) non-capital financing activities, (c) capital financing activities, and (d) investing activities. This statement also has a reconciliation of the operating income (loss) to the cash provided (used) by operating activities.

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR

Government-wide financial statements are NOT presented in these financial statements because it is a special purpose government with only one enterprise fund. As allowed by GASB Codification section 2200.161 the required financial statements presented are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Condensed financial information for 2022, 2021 and 2020 is presented on page 7.

ANALYSIS OF THE DISTRICT'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS.

Using a threshold of \$50,000 significant changes from 2021 to 2022 are:

	Increase (Decrease)	Reason
Current assets	211,785	Grant revenue.
Capital assets	(165,662)	Depreciation.
Restricted cash	53,098	Increased due to increased liability.
Noncurrent liabilities	48,792	Phase II closure cost.
Landfill fees	(58,944)	Reduced rubble tonnage.
Grants	126,816	One-time compactor and closure grants.
Engineering services	50,963	Permit renewal costs.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset is reported above. See page 18 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

The District had no debt in 2022.

CURRENTLY KNOWN FACTS

Effective July 1, 2013 South Dakota Senate Bill (SB 59) prohibits the storage or disposal of liquid oil and gas field wastes in earthen pits or open receptacles unless the facility is directly associated with the development of a specific well or production property. As a result the Custer-Fall River Waste Management District landfill can no longer accept oil well production water for disposal in its leachate pond.

In May 2023 the District received a \$78,816 reimbursement grant to off-set Phase II closure and drainage improvement costs.

The District's solid waste permit was renewed on September 8, 2023. The permit is #23-21 and is good through September 8, 2028.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Starla Russell, Secretary/Treasurer at P.O. Box 11, Edgemont, South Dakota 57735.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
 -- An Enterprise Fund --
 TABLE 1 - NET POSITION (condensed)
 AS OF DECEMBER 31, 2022, 2021 and 2020

	2022	2021	2020
	-----	-----	-----
Assets:			
Current assets	991,034	779,249	957,937
Capital assets	1,344,889	1,510,551	1,265,999
Restricted cash	707,227	654,129	565,803
Restricted insurance deposit			11,628
	-----	-----	-----
Total	3,043,150	2,943,929	2,801,367
	=====	=====	=====
Liabilities:			
Current liabilities	67,373	87,178	27,981
Noncurrent liabilities	702,921	654,129	565,803
	-----	-----	-----
Total	770,294	741,307	593,784
	=====	=====	=====
Net position:			
Net invested in capital assets	1,344,889	1,437,644	1,265,999
Restricted - insurance deposit			11,628
Unrestricted	927,967	764,978	929,956
	-----	-----	-----
Total	2,272,856	2,202,622	2,207,583
	=====	=====	=====

TABLE 2 - CHANGES IN NET POSITION (condensed)
 FOR THE THREE YEARS ENDING DECEMBER 31, 2022

	2022	2021	2020
	-----	-----	-----
Revenues:			
Program revenues:			
Landfill fees	445,530	504,474	477,153
	-----	-----	-----
Total revenues	445,530	504,474	477,153
	-----	-----	-----
Expenses:			
Management fees	121,536	121,536	103,200
Engineering services	76,198	25,235	51,100
Closure/Postclosure costs	48,792	88,326	66,473
Equipment costs	65,345	43,825	50,619
Tire shredding	0	46,047	0
Con cover	0	0	42,890
Other	51,203	42,946	52,034
Depreciation	186,618	177,275	179,053
	-----	-----	-----
Total expenses	549,692	545,190	545,369
	-----	-----	-----
Operating income (loss)	-104,162	-40,716	-68,216
Nonoperating revenue (expense):			
Interest earnings	15,580	15,383	11,920
Grants	158,816	32,000	
	-----	-----	-----
Change in net position	70,234	6,667	-56,296
Net position:			
December 31, 2019			2,263,879

December 31, 2020		2,207,583	2,207,583
Change in accounting estimate		-11,628	=====
		-----	-----
December 31, 2020, restated		2,195,955	
		-----	-----
December 31, 2021	2,202,622	2,202,622	
	-----	=====	-----
December 31, 2022	2,272,856		
	=====		

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022

ASSETS

Current assets:

Cash	510,797
Savings	108,256
Certificates of deposit	261,607
Accounts receivable, customers	31,558
Accounts receivable, grant	78,816

Total current assets 991,034

Capital assets:

Land	26,600
Buildings	137,603
Improvements	2,441,895
Equipment	790,736
Accumulated depreciation	-2,051,945

Total capital assets 1,344,889

Cash restricted by a third party:

Savings	70,243
Certificates of deposit	636,984

Total restricted cash 707,227

Total assets 3,043,150

LIABILITIES

Current liabilities:

Accounts payable	67,373
------------------	--------

Total current liabilities 67,373

Noncurrent liabilities:

Accrued closure and post closure cost	702,921
---------------------------------------	---------

Total liabilities 770,294

NET POSITION

Net invested in capital assets 1,344,889

Unrestricted 927,967

Total net position 2,272,856

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

Operating revenue:	
Landfill fees	445,530

Total operating revenue	445,530

Operating expenses:	
Management contract with	
Barker Concrete	121,536
Engineering services:	76,198
Equipment cost	65,345
South Dakota tonnage fees	7,692
South Dakota sales tax	13,741
Closure/Postclosure costs	48,792
Commissioners	6,111
Accounting services	5,900
Insurance	4,819
Utilities	4,236
Other	8,704
Depreciation	186,618

Total operating expenses	549,692

Total operating income (loss)	-104,162
Nonoperating revenue (expense):	
Interest earnings	15,580

Income (loss) before contributions	-88,582
Capital contributions:	
Compactor grant	80,000
Phase II closure & drainage grant	78,816

Change in net position	70,234
Net position:	
December 31, 2021	2,202,622

December 31, 2022	2,272,856
	=====

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

Cash flows from:

Operating activities:

Receipts from customers	453,794
Payments to employees	-12,011
Payments to suppliers	-322,074
Net cash provided (used)	-----
by operating activities	119,709

Noncapital financing activities:

2021 tire grant received	32,000
--------------------------	--------

Capital financing activities:

Compactor grant	80,000
Cash paid for Phase II expansion	-20,957

Investing activities:

Interest earnings	15,580
Purchase certificates of deposit	-14,409

Net increase (decrease) in cash 211,923

Cash:

December 31, 2021	477,373

December 31, 2022	689,296
	=====

Reconciliation of operating
income (loss) to net cash provided
(used) by operating activities:

Operating income (loss)	-104,162
Closure expenses, accrued	48,792
Depreciation	186,618

(Increase) decrease in:

Receivables, customers 8,264

Increase (decrease) in:

Accounts payable 53,104

Accounts payable - construction -72,907

Net cash provided (used) -----
by operating activities 119,709
=====

Noncash investing, capital and
financing activities: None

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Custer-Fall River Regional Waste Management District is a special purpose government and its accounting policies conform to generally accepted accounting principles applicable to such governments in the United States of America.

a. Reporting Entity:

The fund included in this report is controlled by or dependent upon the Custer-Fall River Regional Waste Management District's (District) Governing Board.

The District's officials at December 31, 2022 are:

Governing Board:

Mike Linde, Chairman
Dee Andersen
Les Cope
Dan Frieden
Joe Messinio
Larry Pratt
Peg Ryan
Carl Shaw
Dean Weekley

Deputy Secretary-Treasurer:

Starla Russell

The District was formed in 1995 under SDCL 34A-6 to address the municipal solid waste management needs of residents of Custer and Fall River Counties, South Dakota.

The District is comprised of one county commissioner from Custer County and one from Fall River County to represent the residents of unincorporated areas within their counties. Also the municipalities of Buffalo Gap, Custer, Edgemont, Fairburn, Hot Springs, Oelrichs, and Pringle each select one voting member from their respective boards to serve on the District's Board.

There are no component units or other organizations related to this special purpose government.

b. Basis of Presentation:

The District operates one enterprise fund which is a self-balancing set of accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. The "economic resources" measurement focus is applied to enterprise funds.

Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The "accrual basis" of accounting is applied to enterprise funds. Under the accrual basis of accounting, revenues and related assets generally 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).

d. Capital Assets and Infrastructure assets:

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

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. At December 31, 2022 none of the enterprise fund capital assets are determined by estimates of acquisition value.

The cost of normal maintenance and repairs that do not add value to the assets, or materially extend asset lives, are not capitalized. Improvements that add value, or materially extend asset lives, are capitalized.

Interest cost incurred during construction of enterprise capital assets are not capitalized with the capital asset cost.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the enterprise fund financial statements. Accumulated depreciation is reported in the Statement of Net Position.

The District's policy is to capitalize those assets with a useful life greater than one year and an initial acquisition cost of \$5,000 or more. All land and buildings are capitalized regardless of acquisition cost.

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 enterprise funds are as follows:

	Threshold	Depreciation Method	Life in Years
	-----	-----	-----
Land	All		NA
Buildings	All	Straight-line	30
Improvements	5,000	Straight-line	10-30
Equipment and vehicles	5,000	Straight-line	5-15

Land is an inexhaustible capital asset and is not depreciated. Recognition of capital assets and depreciation is on the accrual basis of accounting.

There is no construction-in-progress at December 31, 2022.

e. Long-term Liabilities:

The District had no debt in 2022.

f. Enterprise Funds Revenue and Expense Classifications:

In the enterprise funds 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 noncapital financing activities, capital and related financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Equity Classifications:

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

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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 capital assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of 1 or 2 above.

h. Cash and Cash Equivalents:

For the purpose of the statement of cash flows the District considers all checking and savings deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

For the year ending December 31, 2022, all deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposits with a maturity of more than 3 months. Certificates of deposit amounted to \$898,591 at December 31, 2022.

i. Application of Net Position:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Allowance for Doubtful Accounts:

Because the write-off of unpaid tipping fees is minimal, it is not considered necessary to establish an allowance for doubtful accounts.

k. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are estimates made by management during 2022:

- * Allowance for doubtful accounts - estimated uncollectables
- * Capital assets - estimated historical cost of certain items
- * Depreciation - estimated service lives
- * Closure and post closure costs

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RISKS

The District follows the practice of aggregating deposits for cash management efficiency and returns, except for restricted cash and certificates of deposits purchased for landfill closure/postclosure costs.

Deposits - The District 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. 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 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.

Deposits are reported at cost, plus interest, if the account is an add-on type.

Actual bank balances at December 31, 2022 were as follows: Insured \$1,190,030, Collateralized ** \$397,857, for a total of \$1,587,887.

** Uninsured, collateral jointly held by state's/District's agent in the name of the state and the pledging financial institution.

The carrying amount of deposits at December 31, 2022 was \$1,587,887; with \$61,170 at First Interstate Bank, \$294,931 at Black Hills Federal Credit Union, \$178,518 at Dakota Bank, \$601,925 at Liberty National Bank, and \$451,343 at First National Bank.

Investments - In general, SDCL 4-5-6 permits the District's money 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 that investments shall 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. The District had no investments during 2022.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased are insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for the District as discussed above. The District has no investment policy that would further limit its investment choices.

Custodial Risk - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. As of December 31, 2022 the District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the District places no limit on the amount that may be invested in any one institution, as shown above.

Interest Rate Risk - The District 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.

4. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The District expects all receivables to be collected within one year. Allowance for estimated uncollectible accounts are not material to these financial statements.

5. CHANGES IN CAPITAL ASSETS (see schedule one, page 18)

A summary of the changes in capital assets is presented in schedule one at the end of these notes.

6. MANAGEMENT AGREEMENT AND TIPPING FEES

In 2011 the District contracted with the Barker Concrete & Construction for operation of the landfill including the billing of users. The current agreement expires December 31, 2022 at a fee of \$121,536 for 2022.

The District's principal source of revenue are tipping fees paid by customers who use the landfill. Tipping fees are based on tonnage brought to the landfill. Tonnage is calculated from a truck's weigh ticket using a scale operated by a private business. Barker Concrete assembles these weigh tickets and bills customers at the end of the month. Barker Concrete also collects the tipping fees and deposited them into the District's checking account. Barker Concrete deposits into the District's checking account, but cannot withdraw from it.

7. FEES PAID TO STATE

The landfill is regulated by South Dakota Department of Agriculture and Natural Resources (DANR). As part of their regulation, the District pays the State of South Dakota a fee based on total solid waste tonnage.

During 2022 the District paid DANR a tonnage fee of \$7,692 for 6,704 tons.

8. PERMIT

The District is permitted to operate a municipal solid waste Type IIB landfill situated in Fall River County, near Edgemont, South Dakota. Under this permit the landfill is allowed to accept up to 24,999 tons of waste per year for 5 years until February 27, 2023. The permitted area is approximately 280 acres and the active disposal area is approximately 10 acres.

9. LANDFILL CLOSURE AND REGULATORY COMPLIANCE

The plan for the operation of the landfill is based on Administrative Rules of the State of South Dakota (ARSD) 74:27:13. Plans for the operation and various contingencies have been prepared for and are available at Custer-Fall River Regional Waste Management District's office. The site as established has a total 2022 capacity of 380,000 cubic yards, with 79.54% of its air space filled and an estimated remaining life expectancy of about 6 years.

State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District accrues a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

At December 31, 2022 the estimated closure and post closure costs liability, based on a 79.54% filled, is \$702,921 and is covered by \$707,227 of restricted savings. Total closure cost and post closure cost are estimated to be \$883,739. The landfill has a capacity of 380,000 cubic yards of which 302,252 (or 79.54%) has been filled by the end of 2022. The total cost of \$883,739 times estimated used volume of 79.54% gives the \$702,921, the engineer's estimate of the closure and post closure liability.

The District is required by the Department of Agriculture and Natural Resources to deposit funds into separate accounts to finance closure and post closure costs. At December 31, 2022 the District had \$707,227 in separate restricted accounts to cover the \$702,921 closure and post closure cost liability.

Actual closure and post closure costs may be higher or lower due to inflation, expansions, changes in technology, or changes in regulations. Closure and post closure costs are not accrued as an operating expense in an accounting period if sufficient accrued liability for future closure and post closure cost have already been accrued.

On June 23, 2022 the Department of Agriculture and Natural Resources (DANR) inspected the District's landfill and "...found landfill operations to be conditionally acceptable." On December 8, 2022 DANR did a follow-up inspection and "...documented that the operator was operating in compliance with its solid waste permit."

10. MAJOR CUSTOMERS

In 2022 approximately 75% of the District's revenue came from 3 customers.

11. INSURANCE

The District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; and natural disasters. During 2022 the District managed its risks as follows:

Liability Insurance:

The District 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 District'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 District. The District pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based 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 District pays an annual premium to the pool to provide coverage for general liability, municipal property, and auto insurance.

The District carries a zero deductible for Government Crime coverage, a \$2,500 deductible for Officials Liability coverage, a \$5,000 for Government Liability coverage, a \$10,000 deductible for Earthquake and Flood coverage, and various deductibles for real and personal property.

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 expense whether reported or unreported at the time of their departure from 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 District reflected the effects of this new SDPAA policy in its December 31, 2021 audit report.

The District 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.

12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

There is no material unallowed related party activity and the District is not involved in any significant litigation.

Effective July 1, 2013 South Dakota Senate Bill (SB 59) prohibits the storage or disposal of liquid oil and gas field wastes in earthen pits or open receptacles unless the facility is directly associated with the development of a specific well

or production property. As a result the Custer-Fall River Waste Management District landfill can no longer accept oil well production water for disposal in its leachate pond.

In May 2023 the District received a \$78,816 reimbursement grant to off-set Phase II closure and drainage improvement costs.

The District's solid waste permit was renewed on September 8, 2023. The permit is #23-21 and is good through September 8, 2028.

The District has one outstanding receivable of \$25,290 which may not be collectable and is not included in these financial statements.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2022

	Beginning 12-31-21	2022 Adjustments	2022 Additions	2022 (Deletions)	Ending 12-31-22	Accumulated Depreciation 12-31-21	2022 Adjustments	2022 Additions	2022 (Deletions)	Accumulated Depreciation 12-31-22	Remaining Cost 12-31-22
Capital assets:											
Land	26,600				26,600	0				0	26,600
Buildings	137,603				137,603	-69,958	1	-4,587		-74,544	63,059
Improvements	1,999,111		442,784		2,441,895	-1,530,757		-134,010		-1,664,767	777,128
Equipment	790,736				790,736	-264,612	-1	-48,021		-312,634	478,102
Construction-in-progre:	421,828		20,956	-442,784	0	0				0	0
Totals	3,375,878	0	463,740	-442,784	3,396,834	-1,865,327	0	-186,618	0	-2,051,945	1,344,889

(1)

(1) Phase II closure and drainage

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
Custer-Fall River Regional Waste Management District
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

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 Custer-Fall River Regional Waste Management District (District), Custer and Fall River Counties, South Dakota, as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated January 6, 2024 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered Custer-Fall River Regional Waste Management District'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Custer-Fall River Regional Waste Management District's internal control.

A *deficiency in internal control* exist 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My 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. However, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and management's responses as item 2022-01 that I consider to be a significant deficiency.

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and management responses. The District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Custer-Fall River Regional Waste Management District in a separate Letter of Comments dated January 6, 2024.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Custer-Fall River Regional Waste Management District'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.

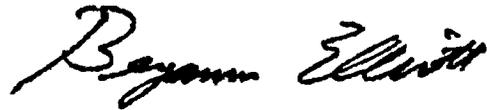
The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the Custer-Fall River Regional Waste Management District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Custer-Fall River Regional Waste Management District's internal control over financial reporting 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



January 6, 2024

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings: NONE

Prior Other Audit Findings:

2021-01: Preparation of financial statement: Repeated below as 2022-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND MANAGEMENT RESPONSES

Type of auditor's report issued:	Unmodified
Noncompliance:	None Reported
Internal control over financial reporting:	
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2022-01
* Material weakness(es) identified?	None Reported

Finding 2022-01: Preparation of Financial Statements
(internal control finding since 2006)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition:

The District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Possible Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendations:

This situation is not unusual for an entity of the District's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response:

Due to cost constraints, the District will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.