

DAKOTA DUNES COMMUNITY  
IMPROVEMENT DISTRICT

INDEPENDENT AUDITOR'S REPORT

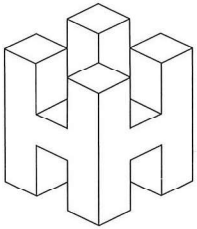
DECEMBER 31, 2021

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13 - 14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19 - 20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22 - 23
Notes to Financial Statements	24 - 46
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)	47
Schedule of the District's Contributions	48
Notes to Required Supplementary Information	49
Other Supplementary Information:	
Budgetary Comparison Schedule - General Fund	50
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	51 - 52
Schedule of Findings and Responses	53 - 54
Summary Schedule of Prior Audit Findings	55

\* \* \* \* \*



**HENJES, CONNER &  
WILLIAMS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

PO BOX 1937  
801 STEVENS PORT DR  
DAKOTA DUNES, SD 57049

P: (605) 242-3900  
(800) 274-3931  
F: (605) 242-3901

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Dakota Dunes Community  
Improvement District  
Dakota Dunes, South Dakota

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT, Dakota Dunes, South Dakota, as of and for the year ended December 31, 2021, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Dakota Dunes Community Improvement District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Dakota Dunes Community Improvement District, 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.

### **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 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 Dakota Dunes Community Improvement District'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 opinion. 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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the District's Contributions on pages 4 - 11 and 47 - 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dakota Dunes Community Improvement District's basic financial statements. The budgetary comparison information on page 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Information**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the Dakota Dunes Community Improvement District'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 Dakota Dunes Community Improvement 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 Dakota Dunes Community Improvement District's internal control over financial reporting and compliance.

*Henzes, Lerner, & Williams, P.C.*

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Dakota Dunes Community Improvement District's annual financial report presents management's discussion and analysis of the District's financial performance for the year ended December 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's General Fund total revenues generated from property taxes, franchise taxes, charges for service and other revenues typical to operations was \$1,924,058 in 2021, as compared to \$2,023,906 in 2020. This was a 4.9 percent decrease in revenues primarily due to a decrease in opt out property tax revenues. Operating expenses increased from \$1,441,289 in 2020 to \$1,660,375 in 2021. This increase can primarily be attributed to more operating expenses in 2021 due to the focus on street and roadway concrete repairs. The district incurred expenses related to the 2019 flood during 2019 and 2020, these expenses were shown in the flood prevention fund. FEMA reimbursed the district \$609,698 during 2020 and \$164,020 during 2021 for expenses related to the 2019 flood event.
- The District's business-type activities (Enterprise Fund) charges for water and sewer services increased from \$1,600,521 in 2020 to \$1,746,220 in 2021. This was a 9.1 percent increase, primarily due to more irrigation and water use because of a very dry year and a water rate increase in April 2021. Sewer rates to Dakota Dunes residents were increased due to an August 2021 increase in Sewer disposal rates charged by Sioux City. Expenses slightly decrease by 0.03 percent from \$1,639,925 in 2020 to \$1,639,505 in 2021.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, including related notes, required supplementary information and other supplementary information. The basic financial statements include two types of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like businesses. The District has two proprietary funds – the Water Fund and the Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The following schedule summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Dakota Dunes' Government-Wide and Fund Financial Statements**

	<b>Government-Wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire Dakota Dunes CID (except fiduciary funds and the fiduciary component units)	The activities of the District that are not proprietary or fiduciary, such as finance office, security, and parks	Activities the District operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District consideration needs to be given to additional nonfinancial factors such as changes in the District's property tax base.

The government-wide financial statements of the District are reported in two categories:

- **Governmental Activities** -- This category includes most of the District's basic services, such as security, public works, parks department and general administration. Property taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The District charges a fee to customers to help cover the costs of certain services it provides. The District's water and sewer systems are included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds to be established.
- The District Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and flow out of these funds and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page that explains the relationship (or differences) between the statements.
- **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The District's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's combined net position increased by 1.2% between fiscal year 2020 and 2021 - increasing by \$326,041 (See Table 1).

**Table 1**  
**Summary of Net Position**

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2020	2021	2020	2021	2020	2021	
Current and Other Assets	\$ 3,287,733	\$ 3,533,715	\$ 1,613,351	\$ 1,899,215	\$ 4,901,084	\$ 5,432,930	10.9%
Capital Assets	13,877,167	13,589,969	9,401,119	9,250,718	23,278,286	22,840,687	-1.9%
Total Assets	\$ 17,164,900	\$ 17,123,684	\$ 11,014,470	\$ 11,149,933	\$ 28,179,370	\$ 28,273,617	0.3%
Deferred Outflows of Resources	\$ 17,135	\$ 56,875	\$ 132,655	\$ 162,347	\$ 149,790	\$ 219,222	46.4%
Long-term Liabilities Outstanding	\$ 288,168	\$ 7,455	\$ 1,250,129	\$ 1,185,385	\$ 1,538,297	\$ 1,192,840	-22.5%
Other Liabilities	56,219	48,113	54,258	63,610	110,477	111,723	1.1%
Total Liabilities	\$ 344,387	\$ 55,568	\$ 1,304,387	\$ 1,248,995	\$ 1,648,774	\$ 1,304,563	-20.9%
Deferred Inflows of Resources	\$ 16,080	\$ 127,532	\$ 528,985	\$ 599,382	\$ 545,065	\$ 726,914	33.4%
Net Position:							
Net Investment in Capital Assets	\$ 13,877,167	\$ 13,589,969	\$ 8,163,713	\$ 8,078,328	\$ 22,040,880	\$ 21,668,297	-1.7%
Restricted	105,753	66,146	77,631	113,924	183,384	180,070	-1.8%
Unrestricted	2,838,648	3,341,344	1,072,409	1,271,651	3,911,057	4,612,995	17.9%
Total Net Position	\$ 16,821,568	\$ 16,997,459	\$ 9,313,753	\$ 9,463,903	\$ 26,135,321	\$ 26,461,362	1.2%

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of relative liquidity. Liabilities are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the District, consisting of compensated absences payable and the SRF Loan, have been reported in this manner on the Statement of Net Position. The difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is its net position.

The District's net position in capital assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The decrease in net position invested in capital assets, net of related debt is due to depreciation expense exceeding capital additions, net of related debt acquired, in 2021.

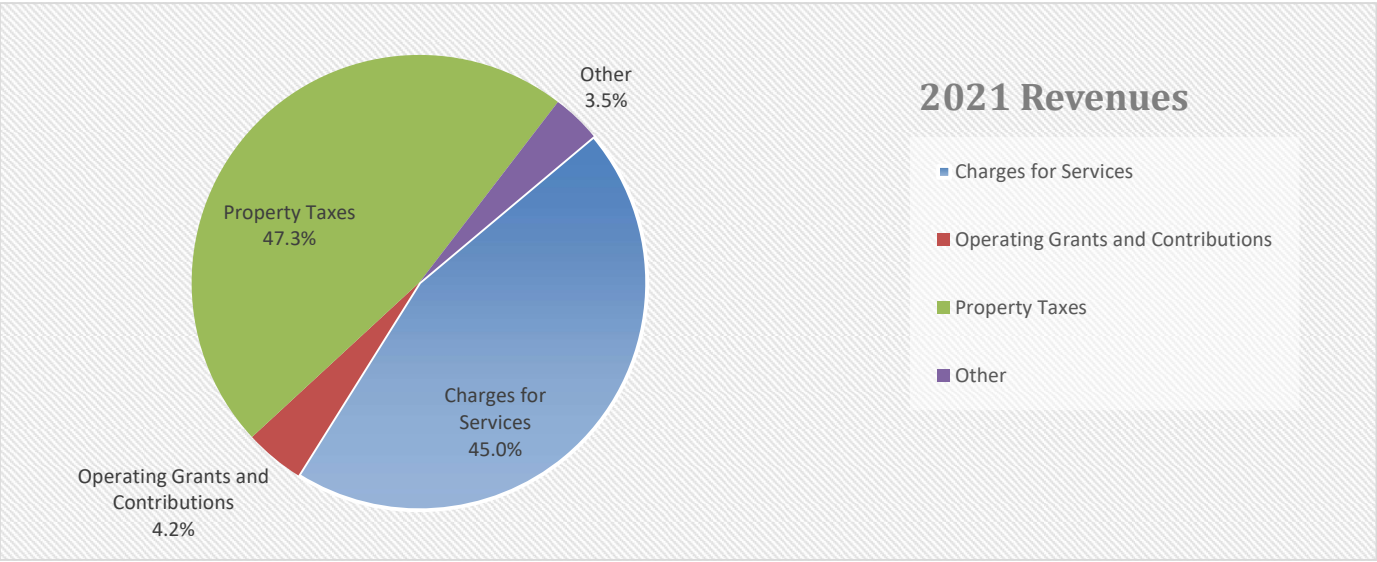
The District's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. Total restricted net position decreased from \$183,384 at the end of 2020 to \$180,070 at the end of 2021.

The remaining balance of net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

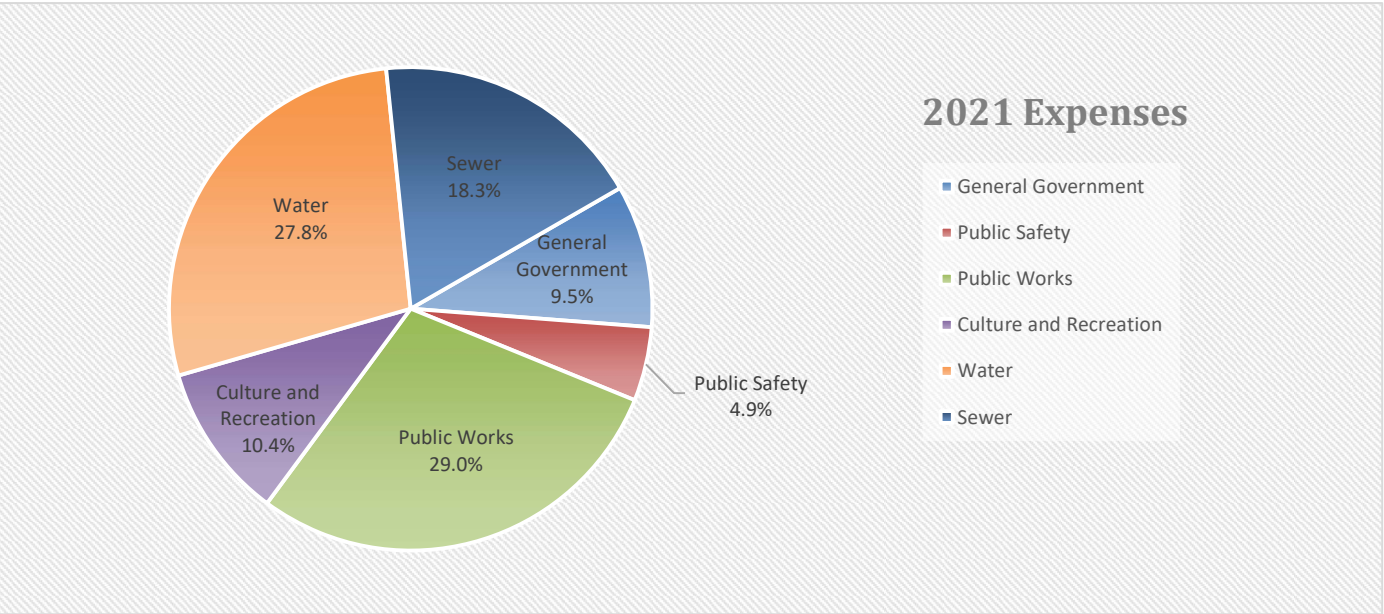
At the ends of the current and prior year, the District is able to report positive balances in net position for its separate governmental and business-type activities. Total unrestricted net position increased from \$3,911,057 at the end of 2020 to \$4,612,995 at the end of 2021. This is due to the payoff of two disaster loans at Liberty National Bank, the final receipt of FEMA funds during the year of 2021, and rate increases for both Water and Sewer. The District's positive net position shows that it is able to finance its day-to-day activities.

Changes in Net Position

The District's revenues totaled \$3,881,563. (See Table 2) Nearly 92% of the District's revenue comes from charges for services and property taxes, with 47 cents of every dollar raised coming from property taxes and 45 cents of every dollar raised coming from charges for services (primarily water and sewer operations).



The District's expenses totaled \$3,555,522. (See Table 2) This is an decrease of \$3,475. The District's expenses cover a range of services, with over half related to public work services (road maintenance, water system services and sewer system services).



**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total</u>
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>Percent</u>
							<u>Change</u>
Revenues:							
Program Revenues:							
Charges for Services	\$ 1,955	\$ 1,998	\$ 1,600,521	\$ 1,746,220	\$ 1,602,476	\$ 1,748,218	9.1%
Operating Grants and Contributions	609,698	164,020	-	-	609,698	164,020	100.0%
General Revenues:							
Property Taxes	1,807,961	1,834,384	-	-	1,807,961	1,834,384	1.5%
Property Taxes - Opt Out	143,360	(63)	-	-	143,360	(63)	-100.0%
Other	<u>81,135</u>	<u>91,569</u>	<u>39,181</u>	<u>43,435</u>	<u>120,316</u>	<u>135,004</u>	12.2%
Total Revenues	\$ 2,644,109	\$ 2,091,908	\$ 1,639,702	\$ 1,789,655	\$ 4,283,811	\$ 3,881,563	-9.4%
Expenses:							
General Government	\$ 443,463	\$ 339,468	\$ -	\$ -	\$ 443,463	\$ 339,468	-23.5%
Public Safety	271,876	175,845	-	-	271,876	175,845	-35.3%
Public Works	852,219	1,030,397	-	-	852,219	1,030,397	20.9%
Culture and Recreation	339,180	370,307	-	-	339,180	370,307	9.2%
Interest	12,334	-	-	-	12,334	-	-100.0%
Water	-	-	990,363	988,871	990,363	988,871	-0.2%
Sewer	<u>-</u>	<u>-</u>	<u>649,562</u>	<u>650,634</u>	<u>649,562</u>	<u>650,634</u>	0.2%
Total Expenses	\$ 1,919,072	\$ 1,916,017	\$ 1,639,925	\$ 1,639,505	\$ 3,558,997	\$ 3,555,522	-0.1%
Change in Net Position	\$ 725,037	\$ 175,891	\$ (223)	\$ 150,150	\$ 724,814	\$ 326,041	
Net Position - Beginning	<u>\$ 16,096,531</u>	<u>\$ 16,821,568</u>	<u>\$ 9,313,976</u>	<u>\$ 9,313,753</u>	<u>\$ 25,410,507</u>	<u>\$ 26,135,321</u>	
Net Position - Ending	<u>\$ 16,821,568</u>	<u>\$ 16,997,459</u>	<u>\$ 9,313,753</u>	<u>\$ 9,463,903</u>	<u>\$ 26,135,321</u>	<u>\$ 26,461,362</u>	

### **Governmental Activities**

Table 2 and the narrative that follows consider the operations of the governmental activities.

Total revenues for the District's governmental activities decreased by 20.8%, and total governmental expenses decreased by 0.2%. The decrease in revenues is primarily due to FEMA reimbursements in 2020 and the final FEMA payment is 2021. The district received \$609,698 in FEMA funds during 2020 and \$164,020 during 2021.

### **Business-type Activities**

Revenues of the District's business-type activities including other (charges for service + other revenue) increased by 9.1% to \$1,789,655 and expenses decreased by 0.03% to \$1,639,505. Factors contributing to these results included the following:

- Revenues from Charges for Services increased from \$1,600,521 in 2020 to \$1,746,220 during 2021 a 9.1% increase, due to increased water usage for irrigation because of the dry weather and the water/sewer rate increase during 2021.

- Water expenses also decreased from \$990,363 in 2020 to \$988,871 during 2021 a 0.2% decrease. The decrease in water expenses is primarily due to an decrease in personal services. Additionally, Sioux City sewer collection and disposal rates increased 8.5%. The District increased sewer rates in July 2021 to parallel Sioux City rates.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial analysis of the District's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The District currently has two governmental funds - the general fund and the flood prevention fund, and two business-type funds, water and sewer. The District's flood prevention fund had a deficit balance of \$(395,931) at December 31, 2021.

### General Fund Budgetary Highlights

General Fund 2021 revenues were over budget by \$10,100. The General Fund expenditures consist of General Government, Public Safety, Public Works, Culture and Recreation, and Capital Outlay. Dakota Dunes Community Improvement District expenditures were \$339,432 less than budgeted in 2021. The operating expenses were under budget by \$91,710 and can be explained by decreased costs of salaries, group insurance, snow removal, fertilizer and weed control and tree maintenance. The capital outlay was under budget by \$247,722 due to a new snow plow purchase being delayed due to supply chain issues and also the bike path overlay project being in work in progress at year end.

## CAPITAL ASSET ADMINISTRATION

At the end of 2021, the District had net capital assets of \$22,840,687 including, land, buildings, and various machinery and equipment. (See Table 3) This amount represents a net decrease (including additions and deductions) of \$437,599, or 1.9%, less than last year.

**Table 3**  
**Capital Assets Net of Accumulated Depreciation and Amortization**

	Governmental Activities		Business-type Activities		Total Dollar	Total Percentage
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Land	\$ 2,844,427	\$ 2,844,427	\$ 73,806	\$ 73,806	\$ -	0.0%
Construction in Progress	-	67,117	-	8,250	75,367	0.0%
Improvements other than Buildings	10,391,744	9,884,811	9,179,517	9,010,549	(675,901)	-3.5%
Machinery and Equipment	410,404	591,881	39,370	59,361	201,468	44.8%
Intangible Assets	<u>230,592</u>	<u>201,733</u>	<u>108,426</u>	<u>98,752</u>	<u>(38,533)</u>	-11.4%
Total Capital Assets (Net)	<u>\$ 13,877,167</u>	<u>\$ 13,589,969</u>	<u>\$ 9,401,119</u>	<u>\$ 9,250,718</u>	<u>\$ (437,599)</u>	-1.9%

This year's major capital asset additions included:

- Governmental activities include the purchase of the following equipment: a new garage door for the cold storage building, 2021 Load Trail 83 x 14 dump trailer, scag mower, 2021 Elgin Pelican street sweeper, new pickup, snow plow blade, Proforce blower for toolcat, 50% Poweredge T440 server, crosswalk on Dakota Dunes Blvd., and North Spanish Bay storm sewer.
- Business-type activities included the purchase of a pickup, 50% of Poweredge T440 server, installation of new manhole at Riverside connection to Sioux City, east and west lift station bypass projects, well #4 major repair, and sealant of roof at the water plant.

## LONG-TERM DEBT

At the end of 2021, the District had \$1,192,840 in long-term obligations. This is a decrease of 5.5% as shown on Table 4 below.

**Table 4**  
**Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>		
Compensated Absences	\$ 12,794	\$ 7,455	\$ 12,723	\$ 12,995	\$ (5,067)	-19.9%
SRF Loan	-	-	1,237,406	1,172,390	(65,016)	-5.3%
Total Outstanding Debt and Obligations	<u>\$ 12,794</u>	<u>\$ 7,455</u>	<u>\$ 1,250,129</u>	<u>\$ 1,185,385</u>	<u>\$ (70,083)</u>	-5.5%

The District is liable for the accrued vacation and sick leave payable to full-time employees who meet the length of service requirements.

The District has an outstanding SRF loan of \$1,172,390 payable to the State of South Dakota. The loan is secured by a security interest in the District's Water System Income and Revenues. This loan was taken out in order to fund the Clear Well Project and will be fully paid off in February 2036. In 2017, the District added a monthly surcharge to every water account of \$6.98 to pay for this loan.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's taxable value for the 2022 fiscal year increased 5.4% from \$607,271,831 in 2021 to \$639,835,910 for 2022. The District requested collections of \$1,894,464 for property taxes for 2022.

Unlike municipalities, the District does not have authority to assess a sales tax. Therefore, a substantial amount of General Fund revenues comes from property tax.

The District-adopted General Fund operating budget for the 2022 fiscal year increased by 4.6% to \$1,347,150 from \$1,287,807 for the 2021 fiscal year.

## 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 the District's Finance Office, P.O. Box 1997, 335 Sioux Point Road, Suite 200, Dakota Dunes, South Dakota 57049, or call (605) 232-4211.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash	\$ 2,128,603	\$ 1,150,290	\$ 3,278,893
Restricted Cash	38,936	85,390	124,326
Certificates of Deposit - Investments	1,004,254	500,000	1,504,254
Taxes Receivable	15,725		15,725
Accounts Receivable - Net	41,423	151,550	192,973
Internal Balances	138,779	(138,779)	-
Inventory	49,493	68,086	117,579
Prepays	18,635	8,724	27,359
Capital Assets:			
Land	2,844,427	73,806	2,918,233
Construction Work in Progress	67,117	8,250	75,367
Other Capital Assets, Net of Depreciation	10,476,692	9,069,910	19,546,602
Intangible Assets, Net of Amortization	201,733	98,752	300,485
Net Pension Asset	97,867	73,954	171,821
Total Assets	17,123,684	11,149,933	28,273,617
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows	56,875	162,347	219,222
Total Deferred Outflows of Resources	56,875	162,347	219,222
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	48,113	63,610	111,723
Long-Term Liabilities:			
Due Within One Year		66,989	66,989
Due in More than One Year	7,455	1,118,396	1,125,851
Total Liabilities	55,568	1,248,995	1,304,563
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue		391,615	391,615
Pension Related Deferred Inflows	127,532	207,767	335,299
Total Deferred Inflows of Resources	127,532	599,382	726,914
<u>NET POSITION</u>			
Net Investment in Capital Assets	13,589,969	8,078,328	21,668,297
Restricted for Debt Service	38,936	85,390	124,326
Restricted for Pension Benefits	27,210	28,534	55,744
Unrestricted	3,341,344	1,271,651	4,612,995
Total Net Position	\$ 16,997,459	\$ 9,463,903	\$ 26,461,362

See Accompanying Notes to Financial Statements

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>GOVERNMENTAL ACTIVITIES:</u>				
General Government	\$ 339,468	\$	\$	\$
Public Safety	175,845		164,020	
Public Works	1,030,397	1,998		
Culture and Recreation	370,307			
Total Governmental Activities	1,916,017	1,998	164,020	-
<u>BUSINESS-TYPE ACTIVITIES</u>				
Water	988,871	1,048,924		
Sewer	650,634	697,296		
Total Business-Type Activities	1,639,505	1,746,220	-	-
Total Primary Government	\$ 3,555,522	\$ 1,748,218	\$ 164,020	\$ -

GENERAL REVENUES:

Property Taxes  
Property Taxes - Opt Out  
Franchise Taxes  
Unrestricted Investment Earnings  
Gain on Disposal of  
Capital Assets  
Rental Income  
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of year

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (339,468)	\$	\$ (339,468)
(11,825)		(11,825)
(1,028,399)		(1,028,399)
<u>(370,307)</u>		<u>(370,307)</u>
(1,749,999)	-	(1,749,999)
	60,053	60,053
	<u>46,662</u>	<u>46,662</u>
-	106,715	106,715
(1,749,999)	106,715	(1,643,284)
1,834,384		1,834,384
(63)		(63)
64,218		64,218
10,400	4,167	14,567
10,822	9,916	20,738
2,250	24,947	27,197
<u>3,879</u>	<u>4,405</u>	<u>8,284</u>
<u>1,925,890</u>	<u>43,435</u>	<u>1,969,325</u>
175,891	150,150	326,041
<u>16,821,568</u>	<u>9,313,753</u>	<u>26,135,321</u>
<u>\$ 16,997,459</u>	<u>\$ 9,463,903</u>	<u>\$ 26,461,362</u>

See Accompanying Notes to Financial Statements



DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	<u>General Fund</u>	<u>Flood Prevention Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 2,128,603	\$	\$ 2,128,603
Restricted Cash	38,936		38,936
Certificate of Deposit	1,004,254		1,004,254
Taxes Receivable	15,725		15,725
Accounts Receivable - Net	41,423		41,423
Interfund Receivable	572,750	164,020	736,770
Inventory	11,453	38,040	49,493
Prepaid Expenses	18,635		18,635
Total Assets	<u>\$ 3,831,779</u>	<u>\$ 202,060</u>	<u>\$ 4,033,839</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 39,389	\$	\$ 39,389
Accrued Wages	8,724		8,724
Interfund Payable		597,991	597,991
Total Liabilities	48,113	597,991	646,104
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue	38,936		38,936
Total Deferred Inflows of Resources	38,936	-	38,936
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	11,453	38,040	49,493
Prepaid Expenses	18,635		18,635
Restricted	38,936		38,936
Unassigned	3,675,706	(433,971)	3,241,735
Total Fund Balances	<u>3,744,730</u>	<u>(395,931)</u>	<u>3,348,799</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,831,779</u>	<u>\$ 202,060</u>	<u>\$ 4,033,839</u>

See Accompanying Notes to Financial Statements

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2021

Total governmental fund balances (page 15)	\$ 3,348,799
--------------------------------------------	--------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,589,969
----------------------------------------------------------------------------------------------------------------------------	------------

Net pension asset is not a financial resource and therefore is not reported in the funds.	97,867
----------------------------------------------------------------------------------------------	--------

Long-term liabilities are not due and payable with current resources and therefore are not reported in the funds.	(7,455)
----------------------------------------------------------------------------------------------------------------------	---------

Taxes receivable - delinquent and cable franchise fees are not available to pay for current period expenditures and therefore are unavailable in the funds.	38,936
-------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Pension related deferred outflows of resources and deferred inflows of  
resources are not due and payable in the current year and, therefore,  
are not reported in the governmental funds as follows:

Deferred Outflows of Resources	56,875
Deferred Inflows of Resources	<u>(127,532)</u>

Total net position of governmental activities (page 12)	\$ <u><u>16,997,459</u></u>
---------------------------------------------------------	-----------------------------

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Flood Prevention Fund	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	\$ 1,847,360	\$	\$ 1,847,360
Property Taxes - Opt Out	453		453
Franchise Taxes	57,718		57,718
Charges for Services	1,998		1,998
Rental Income	2,250		2,250
Interest	10,400		10,400
FEMA Funding		164,020	164,020
Miscellaneous	3,879		3,879
Total Revenues	1,924,058	164,020	2,088,078
<u>EXPENDITURES</u>			
Current:			
General Government	370,842		370,842
Public Safety	129,314		129,314
Public Works	409,918		409,918
Culture and Recreation	286,023		286,023
Capital Outlay	464,278		464,278
Total Expenditures	1,660,375	-	1,660,375
Excess of Revenues Over Expenditures	263,683	164,020	427,703
<u>OTHER FINANCING SOURCES</u>			
Proceeds from Sale of Capital Assets	11,004		11,004
Total Other Financing Sources	11,004	-	11,004
Net Change in Fund Balance	274,687	164,020	438,707
Fund Balance - Beginning of Year	3,470,043	(559,951)	2,910,092
Fund Balance - End of Year	\$ 3,744,730	\$ (395,931)	\$ 3,348,799

See Accompanying Notes to Financial Statements

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds (page 17) \$ 438,707

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for Capital Outlays	\$ 464,278	
Gain on Disposal of Capital Assets	(182)	
Depreciation Expense	<u>(751,294)</u>	(287,198)

Compensated absences reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	5,339
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------

Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	(6,992)
------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

The current year District employer share of SDRS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.	(111,453)
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Long-term accrual of pension expense is not reported in the governmental funds as it does not consume current financial resources and is not reported as an expenditure in the governmental funds.	<u>137,488</u>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------

Change in net position of governmental activities (pages 13-14)	<u><u>\$ 175,891</u></u>
-----------------------------------------------------------------	--------------------------

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Proprietary Funds
<u>CURRENT ASSETS</u>			
Cash	\$ 1,150,290	\$	\$ 1,150,290
Restricted Cash	85,390		85,390
Certificates of Deposit - Investments	500,000		500,000
Accounts Receivable, Net	72,181	79,369	151,550
Interfund Receivable	376,276		376,276
Inventory	68,086		68,086
Prepaid Expenses	6,543	2,181	8,724
	<hr/>	<hr/>	<hr/>
Total Current Assets	2,258,766	81,550	2,340,316
 <u>CAPITAL ASSETS</u>			
Land	72,826	980	73,806
Improvements Other Than Buildings	10,335,888	6,465,302	16,801,190
Machinery and Equipment	125,517		125,517
Intangible Assets	244,864		244,864
Construction Work in Progress	6,235	2,015	8,250
	<hr/>	<hr/>	<hr/>
	10,785,330	6,468,297	17,253,627
Less: Accumulated Depreciation and Amortization	<u>(4,926,783)</u>	<u>(3,076,126)</u>	<u>(8,002,909)</u>
Capital Assets, Net	5,858,547	3,392,171	9,250,718
 <u>OTHER ASSETS</u>			
Net Pension Asset	<u>55,339</u>	<u>18,615</u>	<u>73,954</u>
	<hr/>	<hr/>	<hr/>
Total Other Assets	55,339	18,615	73,954
	<hr/>	<hr/>	<hr/>
Total Assets	8,172,652	3,492,336	11,664,988
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related to Deferred Outflows	<u>103,519</u>	<u>58,828</u>	<u>162,347</u>
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	103,519	58,828	162,347

See Accompanying Notes to Financial Statements

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Proprietary Funds
<u>CURRENT LIABILITIES</u>			
Accounts Payable	16,941	34,369	51,310
Accrued Wages	5,469	1,823	7,292
Customer Deposits	575		575
Interfund Payable		515,055	515,055
Accrued Interest	4,433		4,433
Current Portion of Note Payable	66,989		66,989
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	94,407	551,247	645,654
<u>NON-CURRENT LIABILITIES</u>			
Compensated Absences	9,746	3,249	12,995
Notes Payable, Net of Current Portion	1,105,401		1,105,401
	<hr/>	<hr/>	<hr/>
Total Non-Current Liabilities	1,115,147	3,249	1,118,396
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,209,554	554,496	1,764,050
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue	391,615		391,615
Pension Related Deferred Inflow	138,706	69,061	207,767
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	530,321	69,061	599,382
<u>NET POSITION</u>			
Net Investment in Capital Assets	4,686,157	3,392,171	8,078,328
Restricted for Debt Service	85,390		85,390
Restricted for Pension Benefits	20,152	8,382	28,534
Unrestricted	1,744,597	(472,946)	1,271,651
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 6,536,296	\$ 2,927,607	\$ 9,463,903
	<hr/>	<hr/>	<hr/>

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Proprietary Funds
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 1,048,924	\$ 697,296	\$ 1,746,220
Total Operating Revenues	1,048,924	697,296	1,746,220
<u>OPERATING EXPENSES</u>			
Personal Services	230,297	76,492	306,789
Other Current Expense	460,033	423,664	883,697
Depreciation	252,717	150,478	403,195
Amortization	9,674		9,674
Interest Expense	36,150		36,150
Total Operating Expenses	988,871	650,634	1,639,505
Net Operating Income	60,053	46,662	106,715
<u>NON-OPERATING REVENUES</u>			
Rental Revenue	24,947		24,947
Investment Earnings	3,788	379	4,167
Gain on Sale of Fixed Assets	9,916		9,916
Miscellaneous Revenue		4,405	4,405
Total Non-Operating Revenue	38,651	4,784	43,435
Change in Net Position	98,704	51,446	150,150
Net Position - Beginning of Year	6,437,592	2,876,161	9,313,753
Net Position - End of Year	\$ 6,536,296	\$ 2,927,607	\$ 9,463,903

See Accompanying Notes to Financial Statements

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Water Fund	Sewer Fund	Total Proprietary Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received from Customers	\$ 1,029,582	\$ 683,306	\$ 1,712,888
Cash Paid for Interfund Reimbursements	432,717	(18,564)	414,153
Cash Paid to Employees for Services	(257,022)	(81,109)	(338,131)
Cash Paid to Suppliers for Goods and Services	(486,179)	(416,848)	(903,027)
Cash Paid for Interest	(36,395)		(36,395)
Net Cash Provided by Operating Activities	682,703	166,785	849,488
<u>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payment for Purchase of Capital Assets	(90,899)	(171,569)	(262,468)
Proceeds from Sale of Fixed Assets	9,916		9,916
Payments on Debt	(65,016)		(65,016)
Net Cash (Used) by Capital and Related Financing Activities	(145,999)	(171,569)	(317,568)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Rental Receipts	24,947		24,947
Interest Earned on Investments	3,788	379	4,167
Miscellaneous Revenue		4,405	4,405
Net Cash Provided by Investing Activities	28,735	4,784	33,519
Net Increase in Cash	565,439	-	565,439
Cash at Beginning of Year	670,241		670,241
Cash at End of Year	\$ 1,235,680	\$ -	\$ 1,235,680
<u>NON-CASH NON-CAPITAL FINANCING ACTIVITIES</u>			
Revenue Recognized from Sale of Water Tower Leases	\$ 12,875	\$ -	\$ 12,875

See Accompanying Notes to Financial Statements



DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
Net Operating Income	\$ 60,053	\$ 46,662	\$ 106,715
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	252,717	150,478	403,195
Amortization Expense	9,674		9,674
<u>(Increase) Decrease in:</u>			
Accounts Receivable	(19,267)	(13,990)	(33,257)
Interfund Receivable	432,717		432,717
Inventory	(36,336)		(36,336)
Prepaid Expenses	8,396	(345)	8,051
Net Pension Asset	(54,777)	(18,259)	(73,036)
Pension Related Deferred Outflows	(22,269)	(7,423)	(29,692)
<u>Increase (Decrease) In:</u>			
Accounts Payable	1,794	7,161	8,955
Accrued Wages	538	179	717
Customer Deposits	(75)		(75)
Interfund Payable		(18,564)	(18,564)
Accrued Interest	(245)		(245)
Compensated Absences	204	68	272
Deferred Inflows	49,579	20,818	70,397
 Total Adjustments	<u>622,650</u>	<u>120,123</u>	<u>742,773</u>
 Net Cash Provided by Operating Activities	<u>\$ 682,703</u>	<u>\$ 166,785</u>	<u>\$ 849,488</u>

See Accompanying Notes to Financial Statements

# DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

#### A - Financial Reporting Entity

The reporting entity of the Dakota Dunes Community Improvement District (District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity); those organizations for which the primary government is financially accountable; and, other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The District does not include any component units within its reporting entity.

#### B - Basis of Presentation

##### *Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

##### *Fund Financial Statements*

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

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) B - Basis of Presentation - (Continued)

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

The major funds of the District financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. 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.

Flood Prevention Fund - The Flood Prevention Fund is a special revenue fund used to account for intergovernmental revenue received from FEMA and the State of South Dakota and the related expenditures to pay for flood prevention costs incurred from brief flooding events in 2019 and 2014 and a significant flooding event during 2011 and the related clean-up costs.

Proprietary Funds

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

1. 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.)

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) B - Basis of Presentation (Continued)

2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District has two enterprise funds:

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

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the District sanitary sewer and related facilities. This is a major fund.

C - Measurement Focus and Basis of Accounting

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

*Measurement Focus*

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

Fund Financial Statements - In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

*Basis of Accounting*

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

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) C - Measurement Focus and Basis of Accounting (Continued)

Fund Financial Statements - All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the District is 30 days. The revenues which are accrued at December 31, 2021, are cable franchise revenues and reimbursements.

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

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

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

D - Interfund Eliminations and Reclassifications

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

E - Deposits and Investments

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

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Cont.) F - Capital Assets

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

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

Government-Wide Financial Statements - Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems are recorded at cost, and classified as "Improvements Other Than Buildings".

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation and amortization is netted with capital assets on the government-wide Statement of Net Position and reported on the face of the proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land and Land Rights	All	N/A	N/A
Buildings	\$ 50,000	Straight-Line	50 Years
Improvements Other Than Buildings:			
Water/Sewer Lines	\$ 25,000	Straight-Line	50 Years
Roads	\$ 50,000	Straight-Line	15-75 Years
Other Improvements	\$ 10,000	Straight-Line	15-50 Years
Machinery, Equipment and Vehicles	\$ 2,500	Straight-Line	5-20 Years
Intangible Assets	\$ 25,000	Straight-Line	15-30 Years

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Cont.) F - Capital Assets (Continued)

Land is an inexhaustible capital asset and is not depreciated.

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

G - Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of notes payable and compensated absences.

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

H - Program Revenues

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

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.

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.

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.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) I - Deferred Inflows and Deferred Outflows of Resources

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

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

J - Proprietary Funds Revenue and Expense Classifications

In the proprietary 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 capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

K - Cash and Cash Equivalents

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

L - Equity Classifications

Government-Wide Statements - Equity is classified as Net Position and is displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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 do not meet the definition of "Restricted" or "Net Investment in Capital Assets".



DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) L - Equity Classifications (Continued)

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

M - Application of Net Position

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

N - Fund Balance Classification Policies and Procedures

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

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

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

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

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Finance Officer.

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in nonspendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to be maintained intact such as deposits.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Cont.) N - Fund Balance Classification Policies and Procedures (Continued)

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

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

The purpose of the District's major special revenue fund and revenue source is listed below:

Flood Prevention Fund

Intergovernmental revenue received from  
FEMA and the State of South Dakota

Note 2 - DEPOSITS AND INVESTMENTS

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

Deposits - The District's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

The District held investments in certificates of deposit with original maturities greater than three months of \$1,004,254 and \$500,000, in the governmental and proprietary funds, respectively, at December 31, 2021.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 2 - DEPOSITS AND INVESTMENTS

(Cont.) 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 District's policy is to credit all income from deposits and investments to the fund making the investment.

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

<u>Purpose</u>	<u>Amount</u>
Governmental Funds - Opt out property tax revenue required to be used for debt service.	\$ 38,936
Proprietary Funds - Water surcharge revenue required to be used for debt service.	<u>85,390</u>
	\$ <u>124,326</u>

Note 3 - RECEIVABLES AND PAYABLES

Receivables and payables due from or to a single party are not aggregated in these financial statements. The District expects all receivables to be collected within one year.

Note 4 - INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. Inventory in the Flood Prevention Fund consists of expendable supplies held for sale or consumption. These inventories are recorded at their estimated net realizable value (which is below cost).

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

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

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

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5 - UNAVAILABLE REVENUE

Due to potential technology changes, consolidation in the communication industry and long-term lease risks, the District sold three long-term tower leases for \$515,000 for the period May 10, 2012 through May 31, 2052. Current year rental income recognized in the water fund related to these sales was \$12,875. The balance of unrecognized revenue was \$391,615 at December 31, 2021, and is included as a deferred inflow of resources on the Statement of Net Position.

The District calculated the present value of the future revenues sold to be \$515,000 which assumed a discount rate of 6.0%. The calculation assumed the renewal options under the leases would be exercised until they expire in 2025 and new leases covered by the agreement would not be entered into after their expiration in 2025.

Note 6 - 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 District is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the District. The maximum mill levy by state statute is 10.0.

Note 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

	Balance January 1, 2021	<u>Increases</u>	<u>Decreases</u>	Balance December 31, 2021
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 2,844,427			\$ 2,844,427
Construction, Work in Progress	<u>        </u>	\$ 67,117	\$ _____	<u>67,117</u>
Total Not Being Depreciated/ Amortized	2,844,427	67,117	-	2,911,544
Capital Assets, Being Depreciated/ Amortized:				
Improvements Other Than Buildings	27,701,663	115,792		27,817,455
Machinery and Equipment	1,398,098	281,369	( 36,955)	1,642,512
Intangible Assets	<u>432,880</u>	<u>        </u>	<u>        </u>	<u>432,880</u>
Total Being Depreciated/ Amortized	29,532,641	397,161	( 36,955)	29,892,847

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 7 - CHANGES IN CAPITAL ASSETS  
(Cont.)

	<u>Balance January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2021</u>
<u>Governmental Activities (Cont.):</u>				
Less Accumulated Depreciation/ Amortization:				
Improvements Other Than				
Buildings	17,309,919	622,725		17,932,644
Machinery and Equipment	987,694	99,710	( 36,773)	1,050,631
Intangible Assets	<u>202,288</u>	<u>28,859</u>	<u>          </u>	<u>231,147</u>
Total Accumulated Depreciation/ Amortization	<u>18,499,901</u>	<u>751,294</u>	<u>( 36,773)</u>	<u>19,214,422</u>
Total Capital Assets, Being Depreciated/ Amortized, Net	<u>11,032,740</u>	<u>( 354,133)</u>	<u>(   182)</u>	<u>10,678,425</u>
Governmental Activities Capital Assets, Net	\$ <u>13,877,167</u>	\$ <u>(287,016)</u>	\$ <u>(   182)</u>	\$ <u>13,589,969</u>

Depreciation and amortization expense was charged to functions as follows:

General Government

Public Safety	\$ 46,532
Public Works	620,479
Culture and Recreation	<u>64,283</u>
Total Depreciation Expense - Governmental Activities	\$ <u>751,294</u>

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 7 - CHANGES IN CAPITAL ASSETS

(Cont.)	Balance January 1, 2021	<u>Increases</u>	<u>Decreases</u>	Balance December 31, 2021
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 73,806			\$ 73,806
Construction in Progress	<u>                    </u>	\$ <u>8,250</u>	\$ <u>                    </u>	<u>8,250</u>
Total Not Being Depreciated/ Amortized	73,806	8,250	-	82,056
Capital Assets, Being Depreciated/ Amortized:				
Improvements Other Than Buildings	16,578,434	222,756		16,801,190
Machinery and Equipment	117,555	31,462	( 23,500)	125,517
Intangible Assets	<u>244,864</u>	<u>                    </u>	<u>                    </u>	<u>244,864</u>
Total Being Depreciated/ Amortized	16,940,853	254,218	( 23,500)	17,171,571
Less Accumulated Depreciation/ Amortization:				
Improvements Other Than Buildings	7,398,917	391,724		7,790,641
Machinery and Equipment	78,185	11,471	( 23,500)	66,156
Intangible Assets	<u>136,438</u>	<u>9,674</u>	<u>                    </u>	<u>146,112</u>
Total Accumulated Depreciation/ Amortization	<u>7,613,540</u>	<u>412,869</u>	( <u>23,500</u> )	<u>8,002,909</u>
Total Capital Assets, Being Depreciated/ Amortized, Net	<u>9,327,313</u>	( <u>158,651</u> )	<u>                    </u> -	<u>9,168,662</u>
Business-Type Activities Capital Assets, Net	\$ <u>9,401,119</u>	\$ ( <u>150,401</u> )	\$ <u>                    </u> -	\$ <u>9,250,718</u>

Depreciation and amortization expense was charged to functions as follows:

<u>Business-Type Activities</u>	
Water Fund	\$ 262,391
Sewer Fund	<u>150,478</u>
Total Depreciation and Amortization Expense - Business - Type Activities	\$ <u>412,869</u>

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Balance January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Primary Government:					
Government Activities:					
Compensated Absences	\$ <u>12,794</u>	\$ _____	\$ ( <u>5,339</u> )	\$ <u>7,455</u>	\$ _____
Total Governmental Activities	12,794	-	( 5,339 )	7,455	-
Business-Type Activities:					
SRF Loan	1,237,406		(65,016)	1,172,390	66,989
Compensated Absences	<u>12,723</u>	<u>12,995</u>	( <u>12,723</u> )	<u>12,995</u>	<u>-</u>
Total Business-Type Activities	<u>1,250,129</u>	<u>12,995</u>	( <u>77,739</u> )	<u>1,185,385</u>	<u>66,989</u>
Total Primary Government	\$ <u>1,262,923</u>	\$ <u>12,995</u>	\$ ( <u>83,078</u> )	\$ <u>1,192,840</u>	\$ <u>66,989</u>

Long-term liabilities at December 31, 2021, is comprised of the following compensated absences, which are amounts due to employees for accrued sick leave. Payments will be made from:

General Fund	\$ <u>7,455</u>
Water Fund	\$ <u>9,746</u>
Sewer Fund	\$ <u>3,249</u>

The South Dakota State Revolving Fund (SRF) Loan is payable in quarterly payments of \$25,353, including interest on the 15<sup>th</sup> day of February, May, August, and November and will mature February 2036. The interest rate on the loan is 3.0%. Payments on the loan will be made from water system revenues. The loan is secured by a security interest in all water system income and revenues. The loan had a balance of \$1,172,390 on December 31, 2021.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8 - LONG-TERM LIABILITIES

(Cont.) The annual requirements to amortize the SRF loan as of December 31, 2021, are as follows:

<u>Ending December 31,</u>	<u>SRF Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 66,989	\$ 34,423
2023	69,021	32,390
2024	71,115	30,296
2025	73,273	28,139
2026	75,496	25,916
2027 - 2031	413,258	93,800
2032 - 2036	<u>403,238</u>	<u>27,760</u>
Total	\$ <u>1,172,390</u>	\$ <u>272,724</u>

Note 9 - OPERATING LEASES

The District leases office space in the Dakota Dunes Welcome Center building. Payments are made from the General Fund, the Water Fund and the Sewer Fund. The initial lease term was five years, terminating November 30, 2006, with three five-year renewal options. The District exercised the five-year renewal options in 2006, 2011, 2016, and 2021. The District has option to renew two additional five year periods after initial renewals have expired.

The District also leases a maintenance building and a cold storage facility. These leases were renewed during April 2015 for a five-year period, with five one-year renewal options. The District is continuing its rental under the annual renewal options.

The following are the minimum payments on existing operating leases:

<u>Years Ending</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
2022	\$ 16,804	\$ 12,603	\$ 4,201	\$ 33,608
2023	12,923	9,692	3,231	25,846
2024	12,923	9,692	3,231	25,846
2025	12,923	9,692	3,231	25,846
2026	<u>11,845</u>	<u>8,884</u>	<u>2,961</u>	<u>23,690</u>
	\$ <u>67,418</u>	\$ <u>50,563</u>	\$ <u>16,855</u>	\$ <u>134,836</u>

Total rental expenditures for operating leases for the year ended December 31, 2021, were \$66,555, which includes the minimum lease amounts of \$33,608 and all expenses related to the operating leases.



DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 10 - INTERFUND RECEIVABLE AND PAYABLE BALANCES

Net interfund receivable and payable balances at December 31, 2021, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 572,750	
Flood Prevention Fund		\$ 433,971
Enterprise Funds:		
Water	376,276	
Sewer	<u>          </u>	<u>515,055</u>
Total	\$ <u>949,026</u>	\$ <u>949,026</u>

Interfund receivable and payable balances represent amounts due to/from other funds. Additionally, the water and sewer funds share a common cash account so the interfund balance between the water and sewer fund is the sewer fund's share of the cash balance on hand in the water fund. The general and flood prevention funds also share a common cash account so the interfund balance between the general and flood prevention fund is the flood prevention fund's share of the cash balance on hand in the general fund. All interfund activity is expected to be repaid within one year.

Note 11 - RETIREMENT PLAN

*Plan Information*

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

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 11 - RETIREMENT PLAN  
(Cont.) *Benefits Provided*

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

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 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 11 - RETIREMENT PLAN

(Cont.) *Benefits Provided (Cont.)*

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 District's share of contributions to the SDRS, for the years ended December 31, 2021, 2020, and 2019, equal to required contributions each year were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 31,538
2020	29,497
2019	30,480

*Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2021, SDRS is 105.53% funded, and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of SDRS, for the District as of the measurement period ending June 30, 2021, and reported by the District as of December 31, 2021, are as follows:

Proportionate share of pension restricted for pension benefits	\$ 3,282,880
Less: Proportionate share of net pension liability	<u>3,111,059</u>
Proportionate share of net pension asset	\$ <u>171,821</u>

At December 31, 2021, the District reported an asset of \$171,821 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the District's proportion was .02243600% which is an decrease of .0014205% from its proportion measured as of June 30, 2020.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 11 - RETIREMENT PLAN

(Cont.) For the year ended December 31, 2021, the District recognized a reduction of pension expense of \$45,438. At December 31, 2021, the District reported deferred outflows or resources and deferred inflows or resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,169	\$ 450
Changes in assumption	197,593	86,046
Net difference between projected and actual earnings on pension plan investments		245,450
Changes in proportion and difference between District contributions and proportionate share of contributions	292	3,353
District contributions subsequent to measurement date	<u>15,168</u>	<u>          </u>
Total	\$ <u>219,222</u>	\$ <u>335,299</u>

An amount of \$15,168 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

<u>Year Ended December 31,</u>	
2022	\$( 33,107)
2023	( 22,792)
2024	( 6,298)
2025	( 69,048)
2026	<u>-</u>
Total	\$( <u>131,245</u> )

*Actuarial Assumptions*

The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 11 - RETIREMENT PLAN

(Cont.) Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	4.3%
Fixed Income	30%	1.6%
Real Estate	10%	4.6%
Cash	<u>2%</u>	0.9%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total pension 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 asset.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 11 - RETIREMENT PLAN

(Cont.) *Sensitivity of liability (asset) to change in the discount rate*

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ <u>278,222</u>	\$( <u>171,821</u> )	\$( <u>537,151</u> )

*Pension Plan Fiduciary Net Position*

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

Note 12 - LITIGATION

At December 31, 2021 and the dating of this report, the District was not involved in any litigation.

Note 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, 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 a claims-made policy. The District pays an annual premium to the pool to provide coverage for torts, auto liability, and physical damage; and errors and omissions of public officials.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 13 - RISK MANAGEMENT

(Cont.) Liability Insurance (Continued) - Effective October 5, 2021, the South Dakota Public Assurance Alliance (SDPAA) adopted a new policy on member departures.

Departing Members will no longer be eligible for any partial refund of the calculated portion of the contributions which was previously allowed under Article IX of the Intergovernmental Contract (IGC). The prior IGC 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 SDPAA eliminated the provision to preserve Members' collective resources for loss control efforts and other efforts that benefit all the Members and the public. In recognition of the elimination of this partial refund that was intended for the payment of such claims and expenses that the departing Member retained, the SDPAA will now retain any reported claims of a departing Member. The departing Member continues to assume all responsibility for any unreported claims as provided in the IGC.

Due to the adoption of the new policy by the SDPAA, the reporting of the "vested amount at coverage term" that was previously reported as an asset (Deposits) at the end of the year was eliminated and accounted for as a decrease in the Unreserved Fund Balance. The amount that was previously reported was based on information put together by an actuary, or an "estimate" in accounting terms.

Property and Casualty - The District carries a \$1,000 deductible for the automobile coverage, a \$2,500 deductible for machinery coverage, \$1,000 deductible for buildings, contents and municipal income, and \$250 deductible for miscellaneous property coverage.

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

Workers' Compensation - The District is a member of the South Dakota Municipal League Workers' 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District'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 workers' compensation claims. The District 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 \$850,000 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.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 13 - RISK MANAGEMENT

(Cont.) The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits - The District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2021, no claims for unemployment benefits were paid. At December 31, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 14 - FLOOD EVENTS

During 2019, the District experienced flooding events due to rain and snow melt in the Missouri and Big Sioux River basins. The District incurred approximately \$947,000 of expenses related to efforts to mitigate the impact of these high river events. The costs were funded through use of liquid assets of the District. The District received some reimbursement from federal and state agencies during 2020. The District received all remainder reimbursements during 2021.

The State and Federal agency reimbursements received, and the flood prevention expenditures are recorded in the District's Flood Prevention Fund.

Note 15 - SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated all subsequent events, for potential recognition or disclosure, through November 8, 2022, the date the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

# DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

FOR THE YEAR ENDED DECEMBER 31, 2021

#### South Dakota Retirement System Last 10 Years \*\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
District's proportion of the net pension liability (asset)	.0224360%	0.0238565%	0.0220937%	0.0212227%	0.0217985%	0.0239040%	0.0239951%	0.0255120%	-	-
District's proportionate share of net pension liability (asset)	\$( 171,821)	\$( 1,036)	\$( 2,341)	\$( 495)	\$( 1,978)	\$ 80,745	\$( 101,770)	\$( 183,804)	-	-
District's covered employee payroll	\$ 509,146	\$ 523,574	\$ 507,996	\$ 446,998	\$ 435,889	\$ 445,670	\$ 446,698	\$ 446,133	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(33.75)%	(.20)%	(0.49)%	(0.11) %	(0.45)%	17.71%	(23.23)%	(41.20)%	-	-
Plan fiduciary net position as a percentage of the total pension liability (asset)	105%	100%	100%	100%	100%	97%	104%	107%	-	-

\*\* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is June 30. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

# DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

#### FOR THE YEAR ENDED DECEMBER 31, 2021

#### South Dakota Retirement System Last 10 Years \*\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 31,538	\$ 29,497	\$ 30,480	\$ 26,820	\$ 26,153	\$ 26,740	\$ 26,802	\$ 25,309	-	-
Contributions in relation to the contractually required contribution	<u>31,538</u>	<u>29,497</u>	<u>30,480</u>	<u>26,820</u>	<u>26,153</u>	<u>26,740</u>	<u>26,802</u>	<u>25,309</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 525,629	\$ 491,621	\$ 507,996	\$ 446,998	\$ 435,889	\$ 445,670	\$ 446,698	\$ 421,819	-	-
Contributions as a percentage of covered employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	-	-

\*\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data reported is measured as of the calendar year end.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

Changes from Prior Valuation

The June 30, 2021, Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

## OTHER SUPPLEMENTARY INFORMATION

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

OTHER SUPPLEMENTARY INFORMATION

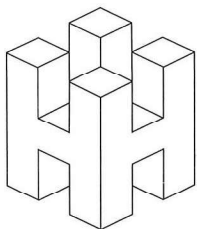
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u>(Budgetary Basis)</u>	Variance <u>Positive (Negative)</u>
<u>REVENUES</u>			
Property Taxes	\$ 1,844,658	\$ 1,847,360	\$ 2,702
Property Taxes - Opt Out		453	453
Franchise Taxes	42,500	57,718	15,218
Charges for Services	2,500	1,998	(502)
Interest	19,550	10,400	(9,150)
Rental Income	2,250	2,250	-
Miscellaneous	2,500	3,879	1,379
Total Revenues	<u>1,913,958</u>	<u>1,924,058</u>	<u>10,100</u>
<u>EXPENDITURES</u>			
General Government	450,295	370,842	79,453
Public Safety	142,850	129,314	13,536
Public Works	397,862	409,918	(12,056)
Cultures and Recreation	296,800	286,023	10,777
Capital Outlay	712,000	464,278	247,722
Total Expenditures	<u>1,999,807</u>	<u>1,660,375</u>	<u>\$ 339,432</u>
Excess of Revenues over Expenditures	<u>(85,849)</u>	<u>263,683</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets		11,004	
Total Other Financing (Uses)	<u>-</u>	<u>11,004</u>	
Net Change in Fund Balance	<u>\$ (85,849)</u>	<u>274,687</u>	
Fund Balance - Beginning of Year		3,470,043	
Fund Balance - End of Year		<u>\$ 3,744,730</u>	

NOTES:

1. The District does not have a state imposed requirement for a legally adopted budget; but is required to submit an annual budget to Union County. This budgetary comparison schedule is presented for supplementary analysis purposes and compares actual operating results for the general fund with amounts budgeted and approved by the District's Board of Supervisors.
2. The budget is prepared in accordance with the modified accrual basis of accounting.
3. A budget was not adopted for the Flood Prevention Fund due to the unpredictable nature of the activity. The Opt Out Property Tax Revenue included above in the General Fund - Budgetary Comparison Schedule can only be used for Flood Prevention Expenses.



**HENJES, CONNER &  
WILLIAMS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

PO BOX 1937  
801 STEVENS PORT DR  
DAKOTA DUNES, SD 57049

P: (605) 242-3900  
(800) 274-3931  
F: (605) 242-3901

**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***

Board of Supervisors  
Dakota Dunes Community Improvement District  
Dakota Dunes, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT (the District), Dakota Dunes, South Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the schedule of findings and responses as item 2021-002 to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants

Dakota Dunes, South Dakota  
November 8, 2022



DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2021

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the financial statements.
- (b) Deficiencies classified as a material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose non-compliance, which is material to the financial statements.
- (d) See Schedule of Prior Audit Findings for the status of prior audit findings.

Part II: Findings Related to the Financial Statement Audit

Material Weakness:

2021-001 Financial Accounting - Recording Errors

*Condition* - We noted material errors on the District's annual financial records related to the recording of the change in Policy for the South Dakota Public Assurance Alliance Deposits.

*Criteria* - Proper financial reporting requires that transactions be recorded accurately and completely.

*Cause* - Material adjustments had to be made to accurately reflect financial position and properly present certain transactions.

*Effect* - Financial statements that are not prepared completely and accurately diminish the reliability of the financial data supplied to users.

*Recommendation* - Care should be taken to properly report all transactions to allow the preparation of financial statements that are complete and accurate in accordance with U.S. generally accepted accounting principles.

*Response* - The District will strive to properly record transactions to allow for accurate financial statement preparation.

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2021

Part II: Findings Related to the Financial Statement Audit (Cont.)

Significant Deficiency:

2021-002 Financial Statement Preparation

*Condition* - The District does not have a system of internal control over the preparation of the financial statements and note disclosures. This is a repeat finding.

*Criteria* - The financial statements are the responsibility of the District's management. A system of internal control over financial reporting includes controls over financial statement preparation, including note disclosures.

*Cause* - The District does not have the resources available to draft the financial statements and note disclosures.

*Effect* - Subject to District review and approval, Henjes, Conner, & Williams, PC prepared various reclassification journal entries and drafted the financial statements and note disclosures.

*Recommendation* - We recommend that management and the Board review the process for financial statement preparation in order to maximize internal controls.

*Response* - The District reviews the financial statements and note disclosures and makes changes as appropriate. The District understands the nature of the control deficiency and will continue to assess the cost/benefit of designing and implementing controls over financial statement preparation.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

STATUS OF PRIOR AUDIT FINDINGS

2020-001 Financial Accounting - Recording Errors

*Condition* - We noted material errors on the District's annual financial records related to the recording of debt payments, capital assets, and classification of expenses.

*Status* - Other material adjustments were identified in the current audit period. See finding 2021-001 for similar current year finding.

2020-002 Financial Statement Preparation

*Condition* - The District does not have a system of internal control over the preparation of the financial statements and note disclosures.

*Status* - The District has determined that the costs outweigh the benefits and has continued to have the auditor draft the financial statements and note disclosures. See finding 2021-002 for similar current year finding.