

Randall Community Water District

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

**For the Years Ended
December 31, 2021**

Randall Community Water District
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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Randall Community Water District
Lake Andes, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund of Randall Community Water District, Lake Andes, South Dakota, as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise Randall Community Water District's basic financial statements and have issued our report thereon dated August 6, 2022.

Report 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Randall Community Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink that reads "CLO Ref LLC". The letters are cursive and somewhat stylized.

Mitchell, South Dakota
August 6, 2022



Independent Auditor's Report

To the Board of Directors
Randall Community Water District
Lake Andes, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Randall Community Water District, Lake Andes, South Dakota, as of December 31, 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Randall Community Water District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Randall Community Water 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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 on pages 6-10 and the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and Schedule of District Contributions on pages 31-33 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 District's basic financial statements. The Statistical Data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statistical Data schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2022 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CIO of LLC". The signature is fluid and cursive, with the "C" and "L" being particularly large and stylized.

Mitchell, South Dakota
August 6, 2022

Randall Community Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2021

Our discussion and analysis of Randall Community Water District's financial performance provides an overview of the Water District's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Water District's financial statements, which begin on page 11.

Financial Highlights

- During 2021, the Water District's net capital assets increased by \$4,093,739, or 9.68% as a result of water system improvements, equipment purchases & disposals, and depreciation expense.
- For the 2021 fiscal year, water sales for the District were \$5,140,552, an increase of \$958,651, or 22.92% from 2020, while operating expenses were \$5,311,169, an increase of \$1,388,554, or 35.40%
- The Water District had a decrease of \$4,925 in net position in the 2021 fiscal year.
- Before Depreciation expense the district had an increase of net position of \$1,664,817.

Using this Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position (on pages 11 through 13) provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances.

Reporting the Water District as a Whole

One of the most important questions asked about the Water District's finances is, "Is the Water District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Water District's net position and changes in them. You can think of the Water District's net position - the difference between assets and liabilities - as one way to measure the Water District's financial health, or financial position. Over time, increases or decreases in the Water District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Water District's water revenue base and the condition of the Water District's water distribution system, to assess the overall health of the Water District.

In the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position, the Water District only has one type of activity.

- Business-type activities – The Water District charges a fee to customers to help it cover all of the cost of operating the water distribution system.

Randall Community Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2021

Reporting the Water District's Significant Funds

Because the Water District only has one fund (a proprietary fund), no fund statements were presented in the financial reports. The proprietary fund uses the following approach in its financial statement presentation.

- Proprietary funds – When the Water District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position.

The Water District as a Whole

The Water District's combined net position changed from 2020 to 2021 – decreasing from \$24.8 million to \$24.6 million, for a \$200 thousand, or .81% decrease in net position. From 2019 to 2020, combined net position increased from \$19.8 million to \$24.8 million, for a \$5 million, or 25% increase. Our analysis below will focus on the net position (Table 1) and changes in net position (Table 2) of the Water District's business-type activities.

Table 1
Net Position

	Business-type Activities		
	2021	2020	2019
Current and other assets	\$ 3,373,927	\$ 3,510,821	\$ 2,866,928
Restricted assets	104,726	69,279	74,175
Net pension asset & deferred outflows	962,322	321,426	213,028
Capital assets	46,389,088	42,295,349	38,672,097
Total assets	<u>\$ 50,830,063</u>	<u>\$ 46,196,875</u>	<u>\$ 41,826,228</u>
Long-term debt outstanding	\$ 20,199,818	\$ 19,224,254	\$ 17,685,341
Deferred inflows	817,865	293,237	113,929
Other liabilities	5,017,318	1,879,391	4,178,152
Total liabilities	<u>26,035,001</u>	<u>21,396,882</u>	<u>21,977,422</u>
Invested in capital assets	22,344,057	22,283,448	17,561,602
Restricted for debt service	104,726	249,279	574,175
Restricted for SDRS pension	144,457	28,189	99,100
Unrestricted (deficit)	2,201,822	2,239,077	1,613,929
Total net position	<u>24,795,062</u>	<u>24,799,993</u>	<u>19,848,806</u>
Total liabilities and net position	<u>\$ 50,830,063</u>	<u>\$ 46,196,875</u>	<u>\$ 41,826,228</u>

Net position of the Water District decreased by .02% in 2021. In 2020, net position increased by 25% (\$24.8 million compared to \$19.8 million). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$37 thousand, or 1.67% in 2021 and increased \$625 thousand, or 38.73% in 2020.

Randall Community Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2021

Table 2
Changes in Net Position

	Business-type Activities		
	2021	2020	2019
Operating revenues:			
Water sales (pledged for debt)	\$ 5,140,552	\$ 4,181,901	\$ 3,686,285
Miscellaneous	247,857	173,048	193,201
Total Revenues	<u>\$ 5,388,409</u>	<u>\$ 4,354,949</u>	<u>\$ 3,879,486</u>
Operating expenses:			
Intakes	197,764	176,687	176,918
Plants	1,140,211	877,225	783,311
Distributions	1,367,951	763,798	1,051,002
Administration	935,501	597,233	384,929
Depreciation	1,669,742	1,507,672	1,443,076
Total Expenses	<u>\$ 5,311,169</u>	<u>\$ 3,922,615</u>	<u>\$ 3,839,236</u>
Operating Income (Loss)	<u>\$ 77,240</u>	<u>\$ 432,334</u>	<u>\$ 40,250</u>
Nonoperating revenues (expenses):			
Investment earnings	61,480	85,671	99,182
Interest expense and fiscal charges	(678,792)	(629,726)	(668,717)
Pension revenue (expense) - SDRS	116,268	(70,910)	(119,763)
Gain (loss) on disposal of assets	(246,580)	2,545	--
Insurance proceeds	14,339	34,821	--
Net increase (decrease) in the	--	--	--
fair value of investments	6,425	3,675	35,654
Other	5,571	8,332	44,123
Other income - employee retention credit	253,403	--	--
Gain on extinguishment of debt	244,505	--	--
Total Nonoperating Revenue (Expenses)	<u>(223,381)</u>	<u>(565,592)</u>	<u>(609,521)</u>
Income Before Contributions	(146,141)	(133,258)	(569,271)
Capital Contributions	141,216	5,084,444	87,148
Net Change in Net Position	(4,925)	4,951,186	(482,123)
Net Position - Beginning of Year	24,799,987	19,848,801	20,330,924
Net Position - End of Year	<u>\$ 24,795,062</u>	<u>\$ 24,799,987</u>	<u>\$ 19,848,801</u>

In 2021, the total revenues of the Water District increased by \$958 thousand, or 23%, mainly from water sales. In 2020, the total revenues of the Water District increased by \$495 thousand, or 13%. The total cost of all programs and services increased by \$1.4 million, or 35% in 2021, compared to an increase of \$83 thousand, or 2% in 2020.

Randall Community Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2021

The Water District's revenues from its operating activities (see Table 2) increased by \$1,033,458, or 23.73% in 2021 compared to an increase of \$475,463, or 12.26% in 2020, (\$5,388,407 in 2021, and \$4,354,949 in 2020) while operating expenses increased by \$1,388,554, or 35.39% in 2021 and increased by \$83,379, or 2.17% in 2020.

The Water District's Funds

As the Water District completed the year, it reported a fund balance of \$24,795,062, which was less than \$24,799,987 in 2020.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the Water District had \$46,389,088 invested in a broad range of capital assets, including land, lagoons, CIP, intakes, power and pumping, distribution, and administrative and general. (See Table 3). This amount represents an increase of capital assets owned by the Water District (including additions and deductions) of \$4,093,739, or 9.68%. At the end of 2020, the Water District had \$42,295,349 invested in a broad range of capital assets as shown below.

Table 3
Capital Assets at Year-end

	Business-type Activities		
	2021	2020	2019
Land	\$ 535,815	\$ 535,815	\$ 518,315
Lagoons	32,779	32,779	32,779
Construction in progress	5,170,223	6,830,138	10,686,449
Intakes	9,625,320	9,319,401	2,847,756
Power and pumping	11,986,578	11,817,704	10,730,884
Distribution	47,092,143	40,155,244	38,761,421
Administrative and general	362,915	351,211	345,161
	<u>74,805,773</u>	<u>69,042,292</u>	<u>63,922,765</u>
Less depreciation	(28,416,685)	(26,746,943)	(25,250,668)
Totals	<u><u>\$ 46,389,088</u></u>	<u><u>\$ 42,295,349</u></u>	<u><u>\$ 38,672,097</u></u>

Randall Community Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2021

Debt

At year-end, the Water District had \$21.07 million in bonds and notes outstanding, versus \$18.02 million last year and \$18.4 million in 2019 – an increase of \$3,052,170, or 16.94% in 2021 and a decrease of \$393,655, or 2.14% in 2020– as shown in Table 4.

Table 4
Long-Term Debt

	Business-type Activities		
	2021	2020	2019
Compensated absences	\$ 34,266	\$ 36,495	\$ 28,863
Financing capital acquisition leases	514,832	592,729	314,931
Notes payable	1,198,902	6,575,876	4,824,960
Water revenue bonds	19,350,000	12,815,000	13,245,000
Totals	<u>\$ 21,098,000</u>	<u>\$ 20,020,100</u>	<u>\$ 18,413,754</u>

More detailed information about the Water District's long-term liabilities is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Water District's Board of Directors has approved the budget for the next fiscal year. Also, water rates have been set to provide adequate cash flow to fund operating expenses as well as debt obligations.

Contacting the Water District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Water District's finances and to show the Water District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Water District office at 445 Main, PO Box 37, Lake Andes, SD 57356.

Randall Community Water District
Statements of Net Position

	December 31, 2021
Assets	
Current Assets	
Cash and cash equivalents	\$ 72,816
Receivables	
Water users	413,334
Other	254,008
Inventory	1,015,845
Prepaid expenses	24,491
Total Current Assets	<u>1,780,494</u>
Restricted Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	104,726
Net pension asset	418,602
Total Noncurrent Assets	<u>523,328</u>
Other Noncurrent Assets	
Cash and cash equivalents - Capital Improvements	359,594
Investments	511,351
Other investments - patronage capital credits	722,488
Property, Plant, and Equipment, net	46,389,088
Total Other Noncurrent Assets	<u>47,982,521</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>543,720</u>
Total Assets and Deferred Outflows	<u><u>\$ 50,830,063</u></u>

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

Randall Community Water District
Statements of Net Position (Continued)

	December 31, 2021
Liabilities and Net Position	
Current Liabilities	
Current maturities of long-term debt	\$ 863,916
Line of credit	662,601
Accounts payable	309,061
Accrued interest	70,977
Accrued leave payable	34,266
Customer deposits	43,600
Armour cost share payable	51,600
Total Current Liabilities	<u>2,036,021</u>
Noncurrent Liabilities	
Loans payable	20,199,818
Contracts payable	2,981,297
Total Noncurrent Liabilities	<u>23,181,115</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>817,865</u>
Net Position	
Net investment in capital assets	22,344,057
Restricted for debt service	104,726
Restricted for SDRS pension	144,457
Unrestricted	2,201,822
Total Net Position	<u><u>\$ 24,795,062</u></u>

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

Randall Community Water District
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31, 2021
Operating Revenues:	
Charges for goods and services pledged as security for revenue debt	\$ 5,140,552
Miscellaneous	247,857
Total Operating Revenue	<u>5,388,409</u>
Operating Expenses:	
Intakes	197,764
Plants	1,140,211
Distributions	1,367,951
Administration	935,501
Depreciation	1,669,742
Total Operating Expenses	<u>5,311,169</u>
Operating Income	<u>77,240</u>
Nonoperating Revenues (Expense):	
Investment earnings	61,480
Interest expense and fiscal charges	(678,792)
Pension revenue (expense) - SDRS	116,268
Gain (loss) on disposal of assets	(246,580)
Insurance proceeds	14,339
Net increase (decrease) in the fair value of investments	6,425
Other	5,571
Other income - employee retention credit	253,403
Gain on extinguishment of debt	244,505
Total Nonoperating Revenue (Expense)	<u>(223,381)</u>
Income Before Contributions	(146,141)
Capital Contributions	141,216
Net Change in Net Position	(4,925)
Net Position - Beginning of Year	<u>24,799,987</u>
Net Position - End of Year	<u><u>\$ 24,795,062</u></u>

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

Randall Community Water District
Statements of Cash Flows

	Years Ended December 31, 2021
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 5,294,652
Cash payments to suppliers of goods or services	(3,329,124)
Cash payment to employees for services	(1,147,696)
Other operating cash receipts	<u>19,305</u>
 Net Cash Provided by Operating Activities	 <u>837,137</u>
 Cash Flows from NonCapital Financing Activities:	
Increase (decrease) in line of credit	 <u>302,601</u>
 Cash Flows from Capital and Related Financing Activities:	
Capital contributions	141,216
Purchase of capital assets	(5,763,481)
Proceeds from capital debt	8,348,902
Principal paid on capital debt	(7,268,771)
Interest paid on capital debt	(686,789)
Increase (decrease) in contracts payable	<u>2,953,000</u>
 Net Cash (Used) in Capital and Related Financing Activities	 <u>(2,275,923)</u>
 Cash Flows from Investing Activities:	
Net investments (purchased)/cashied	129,831
Capital credit retirements	33,784
Cash received for interest	<u>6,411</u>
 Net Cash Provided by Investing Activities	 <u>170,026</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (966,159)
 Cash and Cash Equivalents, at Beginning of Year	 <u>1,398,569</u>
Cash and Cash Equivalents, at End of Year	<u><u>\$ 432,410</u></u>

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

Randall Community Water District
Statements of Cash Flows (Continued)

	Years Ended December 31, 2021
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating income (loss)	\$ 77,240
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,669,742
Other nonoperating revenue (expense)	26,733
(Increase) decrease in:	
Receivable - water users	(102,007)
Receivable - other	(254,008)
Inventory	(609,163)
Prepaid expenses	(1,656)
Increase (Decrease) in:	
Accounts payable	24,235
Accrued leave payable	(2,229)
Customer deposits	8,250
	<hr/>
Net Cash Provided by Operating Activities	<u><u>\$ 837,137</u></u>
 Noncash Investing, Capital, and Financing Activities	
Patronage credit allocations	\$ 55,069
Net increase in the fair value of investments	\$ 6,425
Pension revenue (expense)	\$ 116,268
Gain in extinguishment of debt	\$ 244,505

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

Randall Community Water District

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies:

Reporting Entity: The Randall Community Water District (the District) was created in 1976 for the purpose of financing, constructing, maintaining and operating a rural water distribution system. The District was organized under the authority of Chapter 46A-9-16 of the South Dakota Codified Laws of 1967, as amended, as a water user district.

The District operates under the direction of a Board of Directors who are elected by the members of the district and provides safe drinking water to its members throughout south central South Dakota.

Basis of Presentation: Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or service. 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 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.)
2. Laws or regulations require that the activity's cost of providing services, including capital costs (such as depreciation of 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).

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.

In the financial statements, 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).

Deposits, Investments and Cash Equivalents: For the purpose of the District's Statement of Cash Flows, the District considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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

Randall Community Water District

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies: (Continued)

Federal Income Taxes: The District qualifies as a political subdivision incorporated under the laws of South Dakota and is not subject to federal income taxes. South Dakota does not levy a state income tax.

Inventory: The District's inventories, consisting of parts, materials and supplies, are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment: Assets in property, plant and equipment are stated at cost. The District provides for depreciation on a straight-line basis at an annual rate which will amortize the undepreciated cost of depreciable property over estimated remaining service lives. The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized. When property, plant and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Estimated useful lives for financial reporting purposes are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land & Land Rights	\$ --	N/A	N/A
Improvements Other than Buildings	\$ 5,000	Straight-line	25-40 years
Buildings	\$ 5,000	Straight-line	25-40 years
Machinery & Equipment	\$ 5,000	Straight-line	3-10 years
Infrastructure	\$ 5,000	Straight-line	12.5-40 years
Utility Property & Improvements	\$ 5,000	Straight-line	12.5-40 years

Land is an inexhaustible asset and is not depreciated.

Long-Term Liabilities: All long-term liabilities to be repaid from business-type resources are reported as liabilities in the statements. The long-term liability primarily consists of bonds payable, financing (capital acquisition) leases, and accrued leave.

Unearned Revenues: The District has all taps on a monthly bill and read service. There are no unearned revenues reported in the accompanying financial statements.

Revenue Recognition: Revenues are recorded based on cycle billings rendered. Unbilled service amounts are not recognized until billed and are considered immaterial. Customer accounts receivable are deemed fully collectable, therefore, no allowance for doubtful accounts has been established.

Randall Community Water District

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies: (Continued)

Operating Revenues and Expenditures: Operating revenues and expenses for the District are those that result from providing services and include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

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

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

Application of Net Position: When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted first, then unrestricted resources as needed.

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

Use of Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Randall Community Water District

Notes to Financial Statements

December 31, 2021

2. Deposits, Investments, and Cash Equivalents:

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1. 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 better, 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 open-end, no-load funds 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The District’s cash and cash equivalents consisted only of checking and savings accounts, and money market accounts. At December 31, 2021, investments classified in the financial statements consist entirely of certificates of deposits whose terms to maturity at date of acquisition exceeds three months. These accounts are insured or collateralized in the District’s name.

- **Interest Rate Risk:** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- **Credit Risk:** State law limits eligible investments of the District as discussed above. The District has no investment policy that would further limit its investment choices.
- **Concentration Risk:** The District places no limit on the amount that may be invested in any one issuer.

Randall Community Water District
Notes to Financial Statements
December 31, 2021

3. Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2021:

Business-Type Activities	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Capital Assets, not being depreciated				
Land	\$ 535,815	\$ --	\$ --	\$ 535,815
Lagoons	32,779	--	--	32,779
Construction-In-Progress	6,830,138	4,920,320	(6,580,235)	5,170,223
Total, not being depreciated	7,398,732	4,920,320	(6,580,235)	5,738,817
Capital Assets, being depreciated				
Intakes	9,319,401	305,919	--	9,625,320
Power and Pumping	11,817,704	168,874	--	11,986,578
Distribution	40,155,244	6,936,899	--	47,092,143
Administrative and General	351,211	11,704	--	362,915
Total, being depreciated	61,643,560	7,423,396	--	69,066,956
Less accumulated depreciation for				
Intakes	(1,659,169)	(200,724)	--	(1,859,893)
Power and Pumping	(3,704,267)	(318,490)	--	(4,022,757)
Distribution	(21,114,112)	(1,130,106)	--	(22,244,218)
Administrative and General	(269,395)	(20,422)	--	(289,817)
Total Accumulated Depreciation	(26,746,943)	(1,669,742)	--	(28,416,685)
Net Capital Assets	\$ 42,295,349	\$ 10,673,974	\$ (6,580,235)	\$ 46,389,088

Construction Work in Progress at December 31, 2021 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2021	Committed	Required Future Financing
Alternative Energy Project	\$ 65,601	\$ 65,601	\$ --	\$ --
Geddes Taps	4,600,000	2,627,528	--	--
Hoeksema Campground	48,380	48,380	--	--
P II Intake Upgrade 2019+	98,607	98,607	--	--
Nanostone Revamp	1,445,304	1,445,304	--	--
2019 SCADA Upgrade	735,436	735,436	--	--
Cottage Bay PRV & 10" Line	116,339	116,339	--	--
Platte West Booster	6,730	6,730	--	--
Pickstown Media Replacement	26,298	26,298	--	--
Total Construction-In-Progress	\$ 7,142,695	\$ 5,170,223	\$ --	\$ --

Randall Community Water District
Notes to Financial Statements
December 31, 2021

4. Long-Term Debt:

The following is a summary of changes in long-term debt:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Primary Government					
Business-Type Activities:					
Bonds Payable					
Water Revenue Bonds - Series 2017	\$ 6,955,000	\$ --	\$ (310,000)	\$ 6,645,000	\$ 315,000
Water Revenue Bonds - Series 2018	3,905,000	--	(50,000)	3,855,000	55,000
Water Revenue Bonds - Series 2019	1,955,000	--	(80,000)	1,875,000	80,000
Water Revenue Bonds - Series 2021	--	7,150,000	(175,000)	6,975,000	260,000
Direct Borrowings					
Real Estate Mortgage Payable - USDA Rural Development	3,663,962	--	(3,663,962)	--	--
Real Estate Mortgage Payable - CoBank	911,914	--	(911,914)	--	--
Note Payable - U.S. Bank, NA	2,000,000	--	(2,000,000)	--	--
Note Payable - Commercial State Bank	--	445,000	--	445,000	41,176
Department of Agriculture and Natural Resources	--	753,902	--	753,902	--
Leases					
Financing (Capital Acquisition) Lease	223,474	--	(36,350)	187,124	37,138
Financing (Capital Acquisition) Lease	72,681	--	(14,737)	57,944	15,976
Financing (Capital Acquisition) Lease	25,295	--	2,616	27,911	12,926
Financing (Capital Acquisition) Lease	105,514	--	(10,986)	94,528	25,977
Financing (Capital Acquisition) Lease	165,765	--	(18,440)	147,325	20,723
Total Debt	19,983,605	8,348,902	(7,268,773)	21,063,734	863,916
Accrued Compensated Absences	36,495	--	(2,229)	34,266	--
Total Business-Type Activities	\$ 20,020,100	\$ 8,348,902	\$ (7,271,002)	\$ 21,098,000	\$ 863,916

Debt payable at December 31, 2021 is comprised of the following:

Bonds Payable

Water Revenue Bond Series 2017; .7%-3.25%; due 12/1/38	\$ 6,645,000
Water Revenue Bond Series 2018; 2.4%-4%; due 12/1/38	3,855,000
Water Revenue Bond Series 2019; 1.55%-2.8%; due 12/1/40	1,875,000
Water Revenue Bond Series 2021; 2-3% due 12/1/51	6,975,000

Direct Borrowings

Department of Agriculture & Natural Resources; 2.25%; due 12/1/52	\$ 753,902
Commercial State Bank; 2.75%; due 8/15/26	445,000

Randall Community Water District
Notes to Financial Statements
December 31, 2021

4. Long-Term Debt: (Continued)

Financing Leases

Vermeer RTX1250I2 Basic Tilt Tractor; 2.15%; due 10/30/26	\$ 187,124
2019 CX75C Case Mini Excavator; 3.49%; due 4/10/25	57,944
SCADA System Upgrade for Zoloswky BPS; 4.47%; due 4/15/22	27,911
SCADA Hardware; 3%; due 6/29/24	94,528
2018 Case CX2100 Hydraulic Excavator; 4.89%; due 3/27/26	147,325

Compensated Absences

Accrued leave	\$ 34,266
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The purchase price at the commencement of the financing (capital acquisition) leases was:

	SCADA Hardware	2018 Case Excavator	2019 Case CX75C Mini Excavator	Vermeer RTX1250I2 Basic Tilt Tractor	SCADA System Upgrade for Zoloswky BPS
Principal	\$ 130,000	\$ 192,492	\$ 83,638	\$ 229,457	\$ 40,295
Interest	11,930	43,657	7,871	15,323	1,705
Total	<u>\$ 141,930</u>	<u>\$ 236,149</u>	<u>\$ 91,509</u>	<u>\$ 244,780</u>	<u>\$ 42,000</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful life of the asset, or the lease term (where title never transfers), as appropriate.

The annual requirements to retire debt is as follows:

Years Ended	Principal	Interest	Total Requirement
2022	\$ 863,916	\$ 569,934	\$ 1,433,850
2023	870,461	550,289	1,420,750
2024	892,703	528,315	1,421,018
2025	877,904	505,732	1,383,636
2026	1,181,888	479,351	1,661,239
2027-2031	5,170,000	1,974,997	7,144,997
2032-2036	5,435,000	1,219,391	6,654,391
2037-2041	3,485,000	406,636	3,891,636
2042-2046	705,000	156,953	861,953
2047-2051	1,581,862	62,475	1,644,337
	<u>\$ 21,063,734</u>	<u>\$ 6,454,073</u>	<u>\$ 27,517,807</u>

Randall Community Water District
Notes to Financial Statements
December 31, 2021

5. Commitments:

The District entered into several operating leases including the following:

- Three copier maintenance leases with minimum monthly payments of \$99, \$225, and \$258.
- Contract for IT Services with monthly payment of \$1,768
- 2021 Ram 1500 with monthly payments of \$456
- Maguire Iron full service maintenance plan for the 500 MG Sphere tank with yearly payments of \$75,550 for the first five years and then varied rates for the next 5 years based on services provided
- Takeuchi Skidsteer with monthly payments of \$1,540
- Dozer with monthly payments of \$2,080
- Loader with monthly payments of \$2,822

The following are the minimum payments on the operating leases:

Year Ended	2021 Ram 1500	Takeuchi Skidsteer	Copiers & Maintenance	IT Services	Dozer	Loader	Maguire Iron - Tank Maintenance
2022	\$ 5,469	\$ 18,480	\$ 6,987	\$ 21,222	\$ 38,825	\$ 33,858	\$ 75,550
2023	\$ 5,469	\$ 18,480	\$ 6,987	\$ 21,222	\$ 38,825	\$ 33,858	\$ 75,550
2024	\$ 1,823	\$ 18,480	\$ 3,970	\$ 5,305	\$ 38,825	\$ 33,858	\$ 75,550
2025	\$ --	\$ 3,580	\$ 1,806	\$ --	\$ 32,466	\$ 21,810	\$ 29,971
2026	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 31,170
2027	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 32,417
2028	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 33,713
2029	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 35,062

6. Short-Term Debt:

Randall Community Water District has a line of credit with CoBank with a balance of \$250,000 and an interest rate of 2.1% and a maturity date of 7/31/22. The District also has a line of credit with Commercial State Bank with a balance of \$412,601 and an interest rate of 2.75% and a maturity date of 10/4/22.

7. Risks of Loss:

Randall Community Water District is exposed to certain risks of loss, such as fire, casualty, and damage to property. The Water District has purchased adequate commercial insurance to minimize the loss from these occurrences. There have been no settlements exceeding insurance coverage during the preceding fiscal year.

Randall Community Water District

Notes to Financial Statements

December 31, 2021

8. Reserve Funds Payable:

The reserve requirement on loans secured for the Aurora-Brule water project required that Davison Rural Water System and Aurora-Brule Rural Water System make a monthly payment to Randall Community Water District. The loan reserve requirements were met in April 2012, and monthly payments are no longer required. Interest earned on the reserve is reimbursed back when the reserve certificates of deposits mature. Randall Community Water District will be required to pay back the reserve balance to Davison Rural Water System and Aurora-Brule Rural Water System when the loan is paid in full. Total reserve accounts were \$271,706.

9. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor 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://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has 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 retirements that do not meet the above criteria may be payable at a reduced level.

Randall Community Water District

Notes to Financial Statements

December 31, 2021

9. Pension Plan: (Continued)

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

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

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

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 calendar years ended December 31, 2021, 2020, and 2019, equal to the required contributions each year, were \$73,996, \$74,705, and \$52,497, respectively.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources 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 South Dakota Retirement System, for the District as of this measurement period ending June 30, 2021 and reported by the District as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 7,579,358
Less proportionate share of net pension restricted for pension benefits	7,997,960
Proportionate share of net pension liability (asset)	<u><u>\$ (418,602)</u></u>

Randall Community Water District

Notes to Financial Statements

December 31, 2021

9. Pension Plan: (Continued)

At December 31, 2021, the District reported an asset of \$418,602 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability 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 .05466%, which is an increase of .0066695% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized (reduction of expense) of \$(116,267). At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,029	\$ 1,097
Changes in assumption	481,388	209,630
Net difference between projected and actual earnings on pension plan investments	--	597,981
Changes in proportion and difference between District contributions and proportionate share of contributions	4,395	9,157
District contributions subsequent to measurement date	42,908	--
	<u>\$ 543,720</u>	<u>\$ 817,865</u>

\$42,908 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 expense) as follows:

Year Ended December 31,	
2022	\$ (79,437)
2023	(53,854)
2024	(15,550)
2025	(168,212)
Total	<u>\$ (317,053)</u>

Randall Community Water District
Notes to Financial Statements
December 31, 2021

9. Pension Plan: (Continued)

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 percent
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%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and 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:

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

Randall Community Water District
Notes to Financial Statements
December 31, 2021

9. Pension Plan: (Continued)

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.

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

The following presents the District's proportionate share of net pension 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 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 677,821	\$ (418,602)	\$ (1,308,642)

Pension Plan Fiduciary Net Position:

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

10. Risks and Uncertainties:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the District. The District is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Randall Community Water District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability/asset	0.0546600%	0.0479905%	0.0421314%	0.0454622%	0.0398441%	0.0397462%	0.0343682%
District's proportionate share of net pension liability (asset)	\$ (418,602)	\$ (2,084)	\$ (4,465)	\$ (1,060)	\$ (3,616)	\$ 134,259	\$ (145,765)
District's covered payroll	\$ 1,248,776	\$ 1,250,803	\$ 876,194	\$ 935,269	\$ 891,963	\$ 764,713	\$ 703,921
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.65%	0.21%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Randall Community Water District
Schedule of the District Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 73,996	\$ 74,705	\$ 52,497	\$ 56,116	\$ 53,518	\$ 45,890	\$ 42,236
Contributions in relation to the contractually required contribution	<u>\$ 73,996</u>	<u>\$ 74,705</u>	<u>\$ 52,497</u>	<u>\$ 56,116</u>	<u>\$ 53,518</u>	<u>\$ 45,890</u>	<u>\$ 42,236</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 1,248,776	\$ 1,250,803	\$ 876,194	\$ 935,269	\$ 891,963	\$ 764,713	\$ 703,921
Contributions as a percentage of covered payroll	6%	6%	6%	6%	6%	6%	6%

* Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Randall Community Water District
Notes to Required Supplementary Information

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% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. 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.

Supplementary Information

Randall Community Water District
Statistical Data

Customer Sales Revenue Data:	December 2021	Calendar Year 2021
Rural Farm:		
Number receiving service	1,801	1,801
Gallons sold	37,976,000	532,135,018
Dollar income	<u>\$ 154,102</u>	<u>\$ 2,040,750</u>
Rural Pasture:		
Number receiving service	665	655
Dollar income	<u>\$ 39,422</u>	<u>\$ 473,307</u>
Cabins:		
Number receiving service	340	340
Dollar income	<u>\$ 15,529</u>	<u>\$ 235,134</u>
Bulk Users:		
Number receiving service	15	15
Gallons sold	30,492,000	511,863,000
Dollar income	<u>\$ 137,284</u>	<u>\$ 2,010,408</u>
Other Users:		
Gallons sold	521,000	5,476,000
Dollar income	<u>\$ 1,903</u>	<u>\$ 20,817</u>