

**MUNICIPALITY OF AVON
AVON, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023
AND
FOR THE YEAR JANUARY 1, 2024 TO DECEMBER 31, 2024**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF AVON

MUNICIPAL OFFICIALS
DECEMBER 31, 2024

MAYOR:

Kevin Tjeerdsma

GOVERNING BOARD:

Randy Berndt – President
Ilene Muller – Vice-President
Bradley Voigt

FINANCE OFFICER:

Tina Gramkow

ATTORNEY:

Kent E Lehr Law Office

Schoenfish & Co., Inc.

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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

Governing Board
Municipality of Avon
Avon, 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 modified cash basis of accounting financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Avon, South Dakota (Municipality), as of December 31, 2024 and December 31, 2023, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated May 4, 2026, which was adverse because of the condition of the accounting records.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality'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 charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2024-001 and 2024-002 to be material weaknesses.

Report on Compliance and Other Matters

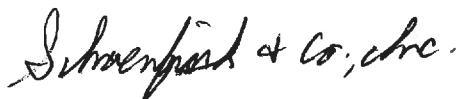
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on financial 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as items 2024-003.

Municipality's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's responses to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Municipality'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.



Schoenfish & Co., Inc.
 Certified Public Accountants
 May 4, 2026

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Findings – Material Weaknesses:

Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2024-001.

Finding Number 2022-002:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This comment has not been corrected and is restated as current audit finding number 2024-002.

Compliance – Related Findings:

Finding Number 2022-003:

The Municipality expended \$1,389,083.93 in excess of amounts budgeted in the General Fund in 2021 and \$7,145.27 in excess of amounts budgeted in the Library Fund in 2021 without supplementing the budget as allowed by SDCL 9-27-7. In addition, in 2022 the Library Fund expended \$4,340.12 in excess of amounts budgeted and was budgeted to spend more than available. This comment has not been corrected and a similar comment is restated as current audit finding number 2024-003.

Finding Number 2022-004:

The Municipality of Avon has committed several violations of laws. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2024-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit finding since 2006.

Criteria:

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

Cause of Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Potential Effect of Condition:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the municipal officials be cognizant of the lack of segregation of duties for the receipts, disbursements, and payroll functions and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management's Response:

The Municipality of Avon Mayor, Kevin Tjeerdsma, is the contact person responsible for the response for this comment. This comment is due to the expertise of staff and the size of the Municipality of Avon which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Finding Number 2024-002:Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This has been a continuing audit finding since 2006.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause of Condition:

The following deficiencies in internal accounting control and record keeping were noted:

- a. Bank reconciliations were not done in a timely manner and variances were not resolved for accurate reporting of cash. Cash balances could not be determined by fund.
- b. The receipts were not all recorded properly nor were they receipted into the appropriate fund.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

- c. Disbursements could not be verified as to accuracy.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding." SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Potential Effect of Condition:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties, and improper records were maintained for the Municipality of Avon.

Recommendations:

2. We recommend that all necessary accounting records be established and properly maintained to ensure timely and accurate financial reporting.

Management's Response:

The Municipality of Avon Mayor, Kevin Tjeerdsma, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2024-003:

Condition:

The Municipality expended in excess of amounts budgeted in several departments in the General Fund in 2023 without supplementing the budget as allowed by SDCL 9-21-7. Expenditures exceeded the amounts budgeted in the Library Fund in 2024 and 2023 as no expenditure budget was approved for this fund.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also SDCL 9-21-9 states, "Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Cause of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality did not adopt an expenditure budget for all Special Revenue Funds as required by SDCL 9-21-2.

Potential Effect of Condition:

Without amending or preparing the budget or limiting disbursements, disbursements are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

3. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality Avon Mayor, Kevin Tjeerdsma, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the municipal officials during the course of the audit and with the Finance Officer at the conclusion of the audit.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Avon
Avon, South Dakota

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Avon, South Dakota, (Municipality) as of December 31, 2024 and December 31, 2023 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position, modified cash basis, of the Municipality of Avon as of December 31, 2024 and December 31, 2023, and the respective changes in financial position, modified cash basis, and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America with the basis of accounting described in Note 1.c. to the financial statements.

Basis for Adverse Opinion on the Financial Statements as a Whole

Our audit disclosed that bank reconciliations included material unreconciled differences. In addition, receipts and disbursements could not be verified as to accuracy resulting in an unexplained variance being reported in the financial statements. Because of these discrepancies, sufficient appropriate audit evidence could not be obtained to verify the accuracy and completeness of cash and the related financial statement elements.

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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Municipality 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 adverse audit opinion.

Emphasis of Matter

As discussed in Note 1.c. of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality'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 modified cash basis of accounting 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS 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 Municipality'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 Municipality'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, and Schedule of Long-Term Liabilities are presented for

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2026 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
May 4, 2026

Schoenfish & Co., Inc.

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MUNICIPALITY OF AVON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	304,442.64	293,222.00	597,664.64
Investments	675,177.31	104,000.00	779,177.31
TOTAL ASSETS	979,619.95	397,222.00	1,376,841.95
NET POSITION:			
Unrestricted (Deficit)	979,619.95	397,222.00	1,376,841.95
TOTAL NET POSITION	979,619.95	397,222.00	1,376,841.95

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

MUNICIPALITY OF AVON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	102,676.19	6,161.00	32,500.00		(64,015.19)		(64,015.19)
Public Safety	127,185.05	13.00			(127,172.05)		(127,172.05)
Public Works	272,747.67	69,870.59	28,071.54	19,660.99	(155,144.55)		(155,144.55)
Health and Welfare	4,019.77				(4,019.77)		(4,019.77)
Culture and Recreation	110,420.30	19,091.48	2,249.35		(89,079.47)		(89,079.47)
Debt Service	16,836.00				(16,836.00)		(16,836.00)
Total Governmental Activities	633,884.98	95,136.07	62,820.89	19,660.99	(456,267.03)		(456,267.03)
Business-type Activities:							
Water	206,390.60	172,592.08				(33,798.52)	(33,798.52)
Sewer	67,939.31	67,041.77				(897.54)	(897.54)
Ambulance	46,047.96	35,292.25	16,100.00			5,344.29	5,344.29
Total Business-Type Activities	320,377.87	274,926.10	16,100.00	0.00		(29,351.77)	(29,351.77)
Total Primary Government	954,262.85	370,062.17	78,920.89	19,660.99	(456,267.03)	(29,351.77)	(485,618.80)
General Revenues:							
Taxes:							
Property Taxes					359,697.90		359,697.90
Sales Taxes					181,492.19		181,492.19
State Shared Revenues					7,863.32		7,863.32
Grants and Contributions not Restricted to Specific Programs					618.68		618.68
Unrestricted Investment Earnings					25,725.12	4,028.73	29,753.85
Miscellaneous Revenue					9,733.01		9,733.01
Transfers					(45,000.00)	45,000.00	0.00
Unexplained Variance					5,204.32	(1,715.20)	3,489.12
Total General Revenues and Transfers					545,334.54	47,313.53	592,648.07
Change in Net Position					89,067.51	17,961.76	107,029.27
Net Position - Beginning					890,552.44	379,260.24	1,269,812.68
NET POSITION - ENDING					979,619.95	397,222.00	1,376,841.95

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

**MUNICIPALITY OF AVON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2024**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	290,795.92	13,646.72	304,442.64
Investments	675,177.31		675,177.31
TOTAL ASSETS	<u>965,973.23</u>	<u>13,646.72</u>	<u>979,619.95</u>
FUND BALANCES:			
Assigned for Library		13,646.72	13,646.72
Unassigned	965,973.23		965,973.23
TOTAL FUND BALANCES	<u>965,973.23</u>	<u>13,646.72</u>	<u>979,619.95</u>

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
Revenues:			
Taxes:			
General Property Taxes	355,484.84		355,484.84
General Sales and Use Taxes	181,492.19		181,492.19
Penalties & Interest on Delinquent Taxes	4,213.06		4,213.06
Total Taxes	541,190.09	0.00	541,190.09
Licenses and Permits	3,680.00	0.00	3,680.00
Intergovernmental Revenue:			
Federal Grants	618.68		618.68
State Grants	32,500.00		32,500.00
State Shared Revenue:			
Bank Franchise Tax	3,855.53		3,855.53
Prorate License Fees	1,690.09		1,690.09
Liquor Tax Reversion	4,007.79		4,007.79
Motor Vehicle Licenses	7,963.87		7,963.87
Local Government Highway and Bridge Fund	16,979.47		16,979.47
County Shared Revenue:			
County Road & Bridge Tax	1,438.11		1,438.11
Total Intergovernmental Revenue	69,053.54	0.00	69,053.54
Charges for Goods and Services:			
Sanitation	69,870.59		69,870.59
Culture and Recreation	18,966.77		18,966.77
Total Charges for Goods and Services	88,837.36	0.00	88,837.36
Fines and Forfeits:			
Court	13.00		13.00
Library		124.71	124.71
Other	596.57		596.57
Total Fines and Forfeits	609.57	124.71	734.28
Miscellaneous Revenue:			
Investment Earnings	25,725.12		25,725.12
Special Assessments	19,660.99		19,660.99
Rentals	2,481.00		2,481.00
Contributions and Donations from Private Sources		2,249.35	2,249.35
Other	9,136.44		9,136.44
Total Miscellaneous Revenue	57,003.55	2,249.35	59,252.90
Total Revenue	760,374.11	2,374.06	762,748.17

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	General Fund	Library Fund	Total
Expenditures:			
General Government:			
Legislative	18,058.73		18,058.73
Financial Administration	77,245.91		77,245.91
Other	7,371.55		7,371.55
Total General Government	102,676.19	0.00	102,676.19
Public Safety:			
Police	127,185.05		127,185.05
Total Public Safety	127,185.05	0.00	127,185.05
Public Works:			
Highways and Streets	213,279.28		213,279.28
Sanitation	59,468.39		59,468.39
Total Public Works	272,747.67	0.00	272,747.67
Health and Welfare:			
Health	4,019.77		4,019.77
Total Health and Welfare	4,019.77	0.00	4,019.77
Culture and Recreation:			
Recreation	64,772.70		64,772.70
Parks	8,528.74		8,528.74
Libraries	32,126.64	4,992.22	37,118.86
Total Culture and Recreation	105,428.08	4,992.22	110,420.30
Debt Service	16,836.00	0.00	16,836.00
Total Expenditures	628,892.76	4,992.22	633,884.98
Excess Revenues Over (Under) Expenditures	131,481.35	(2,618.16)	128,863.19
Other Financing Sources (Uses):			
Transfers Out	(45,000.00)		(45,000.00)
Unexplained Variance	5,204.32		5,204.32
Total Other Financing Sources (Uses)	(39,795.68)	0.00	(39,795.68)
Net Change in Fund Balance	91,685.67	(2,618.16)	89,067.51
Fund Balance - Beginning	874,287.56	16,264.88	890,552.44
FUND BALANCE - ENDING	965,973.23	13,646.72	979,619.95

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

MUNICIPALITY OF AVON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2024

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Ambulance Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	16,021.25	162,524.72	112,807.72	291,353.69
Investments			104,000.00	104,000.00
Total Current Assets	16,021.25	162,524.72	216,807.72	395,353.69
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	1,868.31			1,868.31
Total Noncurrent Assets	1,868.31	0.00	0.00	1,868.31
TOTAL ASSETS	17,889.56	162,524.72	216,807.72	397,222.00
NET POSITION:				
Unrestricted	17,889.56	162,524.72	216,807.72	397,222.00
TOTAL NET POSITION	17,889.56	162,524.72	216,807.72	397,222.00

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2024

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Ambulance Fund	
Operating Revenue:				
Surcharge ad Security for Debt	11,616.40	9,387.90		21,004.30
Charges for Goods and Services	160,176.00	54,935.26	35,292.25	250,403.51
Miscellaneous	799.68	2,718.61		3,518.29
Total Operating Revenue	172,592.08	67,041.77	35,292.25	274,926.10
Operating Expenses:				
Personal Services	37,221.87	40,987.66	4,954.24	83,163.77
Other Current Expense	57,268.37	18,162.41	41,093.72	116,524.50
Materials	100,818.24			100,818.24
Total Operating Expenses	195,308.48	59,150.07	46,047.96	300,506.51
Operating Income (Loss)	(22,716.40)	7,891.70	(10,755.71)	(25,580.41)
Nonoperating Revenue (Expense):				
Investment Earnings			4,028.73	4,028.73
Grants and Contributions			16,100.00	16,100.00
Debt Service (Principal)	(6,923.71)	(5,491.18)		(12,414.89)
Debt Service (Interest)	(4,158.41)	(3,298.06)		(7,456.47)
Total Nonoperating Revenue (Expense)	(11,082.12)	(8,789.24)	20,128.73	257.37
Income (Loss) Before Transfers	(33,798.52)	(897.54)	9,373.02	(25,323.04)
Transfers In	45,000.00			45,000.00
Unexplained Variance	(1,715.20)			(1,715.20)
Change in Net Position	9,486.28	(897.54)	9,373.02	17,961.76
Net Position - Beginning	8,403.28	163,422.26	207,434.70	379,260.24
NET POSITION - ENDING	17,889.56	162,524.72	216,807.72	397,222.00

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

MUNICIPALITY OF AVON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	338,002.44	279,260.24	617,262.68
Investments	552,550.00	100,000.00	652,550.00
TOTAL ASSETS	890,552.44	379,260.24	1,269,812.68
NET POSITION:			
Unrestricted (Deficit)	890,552.44	379,260.24	1,269,812.68
TOTAL NET POSITION	890,552.44	379,260.24	1,269,812.68

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

MUNICIPALITY OF AVON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	99,236.52	5,635.00			(93,601.52)		(93,601.52)
Public Safety	60,942.70	1,304.91			(59,637.79)		(59,637.79)
Public Works	221,834.68	67,058.74	39,491.97		(115,283.97)		(115,283.97)
Culture and Recreation	170,332.52	16,314.67	9,476.54		(144,541.31)		(144,541.31)
Debt Service	14,731.50				(14,731.50)		(14,731.50)
Total Governmental Activities	567,077.92	90,313.32	48,968.51	0.00	(427,796.09)		(427,796.09)
Business-type Activities:							
Water	176,752.73	185,210.49				8,457.76	8,457.76
Sewer	63,543.11	64,963.68		32,659.13		34,079.70	34,079.70
Ambulance	11,946.33	28,419.45				16,473.12	16,473.12
Total Business-Type Activities	252,242.17	278,593.62	0.00	32,659.13		59,010.58	59,010.58
Total Primary Government	819,320.09	368,906.94	48,968.51	32,659.13	(427,796.09)	59,010.58	(368,785.51)
General Revenues:							
Taxes:							
Property Taxes					332,488.98		332,488.98
Sales Taxes					182,134.11		182,134.11
State Shared Revenues					7,680.27		7,680.27
Unrestricted Investment Earnings					4,020.92		4,020.92
Miscellaneous Revenue					15,367.47		15,367.47
Unexplained Variance					(14,584.50)	(54.48)	(14,638.98)
Total General Revenues and Transfers					527,107.25	(54.48)	527,052.77
Change in Net Position					99,311.16	58,956.10	158,267.26
Net Position - Beginning					791,241.28	320,304.14	1,111,545.42
NET POSITION - ENDING					890,552.44	379,260.24	1,269,812.68

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

MUNICIPALITY OF AVON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2023

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	<u>321,737.56</u>	<u>16,264.88</u>	<u>338,002.44</u>
Investments	<u>552,550.00</u>		<u>552,550.00</u>
TOTAL ASSETS	<u><u>874,287.56</u></u>	<u><u>16,264.88</u></u>	<u><u>890,552.44</u></u>
FUND BALANCES:			
Assigned for Library		<u>16,264.88</u>	<u>16,264.88</u>
Unassigned	<u>874,287.56</u>		<u>874,287.56</u>
TOTAL FUND BALANCES	<u><u>874,287.56</u></u>	<u><u>16,264.88</u></u>	<u><u>890,552.44</u></u>

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Library Fund	Total
Revenues:			
Taxes:			
General Property Taxes	331,031.66		331,031.66
General Sales and Use Taxes	182,134.11		182,134.11
Penalties & Interest on Delinquent Taxes	1,457.32		1,457.32
Total Taxes	514,623.09	0.00	514,623.09
Licenses and Permits	3,155.00	0.00	3,155.00
Intergovernmental Revenue:			
Federal Grants	782.66		782.66
State Shared Revenue:			
Bank Franchise Tax	3,652.27		3,652.27
Prorate License Fees	1,683.71		1,683.71
Liquor Tax Reversion	4,028.00		4,028.00
Motor Vehicle Licenses	8,264.67		8,264.67
Local Government Highway and Bridge Fund	16,918.39		16,918.39
County Shared Revenue:			
County Road & Bridge Tax	1,438.11		1,438.11
Total Intergovernmental Revenue	36,767.81	0.00	36,767.81
Charges for Goods and Services:			
Sanitation	67,058.74		67,058.74
Culture and Recreation	16,236.32		16,236.32
Total Charges for Goods and Services	83,295.06	0.00	83,295.06
Fines and Forfeits:			
Library		78.35	78.35
Other	1,304.91		1,304.91
Total Fines and Forfeits	1,304.91	78.35	1,383.26
Miscellaneous Revenue:			
Investment Earnings	4,020.92		4,020.92
Special Assessments	10,404.43		10,404.43
Rentals	2,480.00		2,480.00
Contributions and Donations from Private Sources		9,476.54	9,476.54
Other	13,894.55		13,894.55
Total Miscellaneous Revenue	30,799.90	9,476.54	40,276.44
Total Revenue	669,945.77	9,554.89	679,500.66

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Library Fund	Total
Expenditures:			
General Government:			
Legislative	20,311.03		20,311.03
Elections	19.69		19.69
Financial Administration	77,209.67		77,209.67
Other	1,696.13		1,696.13
Total General Government	99,236.52	0.00	99,236.52
Public Safety:			
Police	60,551.51		60,551.51
Fire	391.19		391.19
Total Public Safety	60,942.70	0.00	60,942.70
Public Works:			
Highways and Streets	163,613.47		163,613.47
Sanitation	58,221.21		58,221.21
Total Public Works	221,834.68	0.00	221,834.68
Culture and Recreation:			
Recreation	110,988.30		110,988.30
Parks	21,521.70		21,521.70
Libraries	31,412.41	6,410.11	37,822.52
Total Culture and Recreation	163,922.41	6,410.11	170,332.52
Debt Service	14,731.50	0.00	14,731.50
Total Expenditures	560,667.81	6,410.11	567,077.92
Excess Revenues Over (Under) Expenditures	109,277.96	3,144.78	112,422.74
Other Financing Sources (Uses):			
Compensation for Loss or Damage to Capital Assets	1,472.92		1,472.92
Unexplained Variance	(14,584.50)		(14,584.50)
Total Other Financing Sources (Uses)	(13,111.58)	0.00	(13,111.58)
Net Change in Fund Balance	96,166.38	3,144.78	99,311.16
Fund Balance - Beginning	778,121.18	13,120.10	791,241.28
FUND BALANCE - ENDING	874,287.56	16,264.88	890,552.44

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

MUNICIPALITY OF AVON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Ambulance Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	7,978.28	163,422.26	107,434.70	278,835.24
Investments			100,000.00	100,000.00
Total Current Assets	7,978.28	163,422.26	207,434.70	378,835.24
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	425.00			425.00
Total Noncurrent Assets	425.00	0.00	0.00	425.00
TOTAL ASSETS	8,403.28	163,422.26	207,434.70	379,260.24
NET POSITION:				
Unrestricted	8,403.28	163,422.26	207,434.70	379,260.24
TOTAL NET POSITION	8,403.28	163,422.26	207,434.70	379,260.24

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

MUNICIPALITY OF AVON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Ambulance Fund	
Operating Revenue:				
Surcharge as Security for Debt	11,901.86	9,696.66		21,598.52
Charges for Goods and Services	173,308.63	55,267.02	28,419.45	256,995.10
Total Operating Revenue	185,210.49	64,963.68	28,419.45	278,593.62
Operating Expenses:				
Personal Services	39,178.34	38,625.11	5,308.98	83,112.43
Other Current Expense	57,247.29	16,128.76	6,637.35	80,013.40
Materials	69,244.98			69,244.98
Total Operating Expenses	165,670.61	54,753.87	11,946.33	232,370.81
Operating Income (Loss)	19,539.88	10,209.81	16,473.12	46,222.81
Nonoperating Revenue (Expense):				
Capital Grants		32,659.13		32,659.13
Debt Service (Principal)	(7,098.44)	(5,629.76)		(12,728.20)
Debt Service (Interest)	(3,983.68)	(3,159.48)		(7,143.16)
Total Nonoperating Revenue (Expense)	(11,082.12)	23,869.89	0.00	12,787.77
Income (Loss) Before Transfers	8,457.76	34,079.70	16,473.12	59,010.58
Transfers In		40,029.00		40,029.00
Transfers Out			(40,029.00)	(40,029.00)
Unexplained Variance	(54.48)			(54.48)
Change in Net Position	8,403.28	74,108.70	(23,555.88)	58,956.10
Net Position - Beginning	0.00	89,313.56	230,990.58	320,304.14
NET POSITION - ENDING	8,403.28	163,422.26	207,434.70	379,260.24

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 Municipality or it meets the following criteria:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Library Fund – to account for fines and similar charges, deposited in a library board bank account subject to checks by the librarian for library purposes. (SDCL 14-2-42) This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. 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.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Ambulance Fund – this fund accounts for the operation of the municipal ambulance services and related costs. 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with the limitations of the modified cash basis of accounting.

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the Municipality in these financial statements is:

- a. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost
- b. Recording assets and liabilities related to interfund receivables and payables resulting from cash deficits.

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

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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:

1. 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, if any.

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.

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 investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

f. Capital Assets:

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

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the Municipality and the related depreciation/amortization are not reported on the financial statements of the Municipality.

g. Long-Term Liabilities:

Long-Term liabilities include, but are not limited to Revenue Bonds and Notes Payable.

As discussed in Note 1.c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term liabilities arising from cash transactions, so any outstanding long-term liabilities are not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

on long-term liabilities as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Liabilities.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Liabilities along with related notes that include details of any outstanding Long-Term Liabilities.

h. Revenue Received in Advance:

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

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in one component.

1. Unrestricted net position – All other net position that do not meet the definition of Restricted Net Position.

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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

I. Application of Net Position:

It is the Municipality'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 position is available.

m. 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 Municipality 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 Municipality 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 Government would first use *committed*, then *assigned* and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

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

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

Major Special Revenue Fund
Library Fund

Revenue Source
Fines and Donations

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended 12/31/2024</u>	<u>Year Ended 12/31/2023</u>	
General Fund:			
Activity:			
Fire		\$ 391.19	
Parks		8,521.70	
Debt Service		14,731.50	
Library Fund:			
Activity:			
Libraries	\$ 4,992.22	\$ 6,410.11	

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

The Municipality 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 Municipality’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 Municipality 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.

As of December 31, 2024 and 2023, the Municipality did not have any investments. The investments reported in the financial statements consist only of certificates of deposit.

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

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making investment. The Municipality’s policy is to credit all income from deposits and investments to the fund making the investment.

4. RESTRICTED CASH AND INVESTMENTS

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

<u>12/31/2024</u>	<u>12/31/2023</u>	<u>Purpose:</u>
1,868.31	425.00	Security for water deposits

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

6. LONG-TERM COMMITMENTS

The Municipality of Avon entered into a five-year commitment with B-Y Water District to provide water to the Municipality. This contract has been fulfilled but is extended until a new agreement is reached. A monthly charge in the amount of \$491.00 is paid by the Municipality to B-Y Water District. The monthly charge represents a contribution by the Municipality to aid Hanson Rural Water District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through lease payments. Payments are made from the Municipality’s Water Fund.

7. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2024 were as follows:

	Transfers To:	
Transfers From:	Water Fund	Total
Major Funds:		
General Fund	\$ 45,000.00	\$ 45,000.00
	\$ 45,000.00	\$ 45,000.00

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Interfund transfers for the year ended December 31, 2023 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>Sewer Fund</u>	<u>Total</u>
Major Funds:		
Ambulance Fund	\$ 40,029.00	\$ 40,029.00
	<u>\$ 40,029.00</u>	<u>\$ 40,029.00</u>

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

8. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2024, 2023, and 2022, were \$11,564.85, \$10,505.63, and \$4,527.19 respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2024, SDRS is 100.0% funded and accordingly has net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2024:

Proportionate share of net position restricted for pension benefits	\$ 989,080.74
Less proportionate share of total pension liability	<u>\$ 989,349.12</u>
Proportionate share of net pension liability (asset)	<u>\$ (268.38)</u>

The net pension liability (asset) was measured as of June 30, 2024 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the Municipality's proportion was 0.006630%, which is an increase (decrease) of (0.000049%) from its proportion measured as of June 30, 2023.

At June 30, 2023, SDRS is 100.1% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2023:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Proportionate share of net position restricted for pension benefits	\$	967,833.36
Less proportionate share of total pension liability	\$	<u>968,485.26</u>
Proportionate share of net pension liability (asset)	\$	<u>(651.90)</u>

The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.00667900%, which is an increase (decrease) of 0.0030820% from its proportion measured as of June 30, 2022.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.71%

The total pension liability (asset) in the June 30, 2023 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 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuations were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

The actuarial assumptions used in the June 30, 2023 valuations were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

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, 2024 and June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

2024:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Municipality’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>Year 2024</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality’s proportionate share of the net pension liability (asset)	\$136,376.57	\$(268.38)	\$(112,086.51)
 <u>Year 2023</u>	 <u>1% Decrease</u>	 <u>Current Discount Rate</u>	 <u>1% Increase</u>
Municipality’s proportionate share of the net pension liability (asset)	\$133,616.67	\$(651.90)	\$(110,457.97)

Pension Plan Fiduciary Net Position:

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

9. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2024, the Municipality was not involved in any significant litigation.

10. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2024, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality 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 Municipality’s

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for liability coverage for general liability insurance and property insurance.

The Municipality carries a \$500 deductible for the liability coverage and a \$500 deductible for the property coverage.

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

11. RELATED PARTY TRANSACTIONS

A member of the council serves on the board of directors of Community Bank, the financial institution used by the municipality.

12. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through May 4, 2026, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	355,539.00	355,539.00	355,484.84	(54.16)
General Sales and Use Taxes	190,000.00	190,000.00	181,492.19	(8,507.81)
Penalties & Interest on Delinquent Taxes	1,000.00	1,000.00	4,213.06	3,213.06
Total Taxes	<u>546,539.00</u>	<u>546,539.00</u>	<u>541,190.09</u>	<u>(5,348.91)</u>
Licenses and Permits	<u>3,470.00</u>	<u>3,470.00</u>	<u>3,680.00</u>	<u>210.00</u>
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	618.68	618.68
State Grants	0.00	0.00	32,500.00	32,500.00
State Shared Revenue:				
Bank Franchise Tax	3,552.00	3,552.00	3,855.53	303.53
Prorate License Fees	0.00	0.00	1,690.09	1,690.09
Liquor Tax Reversion	1,200.00	1,200.00	4,007.79	2,807.79
Motor Vehicle Licenses	4,000.00	4,000.00	7,963.87	3,963.87
Local Government Highway and Bridge Fund	7,000.00	7,000.00	16,979.47	9,979.47
State Payments in Lieu of Taxes	7,000.00	7,000.00	0.00	(7,000.00)
County Shared Revenue:				
County Road Tax	1,438.00	1,438.00	0.00	(1,438.00)
County Road and Bridge Tax	8,000.00	8,000.00	1,438.11	(6,561.89)
Total Intergovernmental Revenue	<u>32,190.00</u>	<u>32,190.00</u>	<u>69,053.54</u>	<u>36,863.54</u>
Charges for Goods and Services:				
Sanitation	69,030.00	69,030.00	69,870.59	840.59
Culture and Recreation	16,500.00	16,500.00	18,966.77	2,466.77
Total Charges for Goods & Services	<u>85,530.00</u>	<u>85,530.00</u>	<u>88,837.36</u>	<u>3,307.36</u>
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	13.00	13.00
Other	150.00	150.00	596.57	446.57
Total Fines and Forfeits	<u>150.00</u>	<u>150.00</u>	<u>609.57</u>	<u>459.57</u>
Miscellaneous Revenue:				
Investment Earnings	2,400.00	2,400.00	25,725.12	23,325.12
Rentals	0.00	0.00	2,481.00	2,481.00
Special Assessments	10,000.00	10,000.00	19,660.99	9,660.99
Other	4,000.00	4,000.00	9,136.44	5,136.44
Total Miscellaneous Revenue	<u>16,400.00</u>	<u>16,400.00</u>	<u>57,003.55</u>	<u>40,603.55</u>
Total Revenue	<u>684,279.00</u>	<u>684,279.00</u>	<u>760,374.11</u>	<u>76,095.11</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	26,040.00	26,040.00	18,058.73	7,981.27
Contingency	41,000.00	41,000.00		
Amount Transferred		(5,700.00)		35,300.00
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	78,940.00	81,440.00	77,245.91	4,194.09
Other	2,700.00	7,400.00	7,371.55	28.45
Total General Government	<u>149,680.00</u>	<u>151,180.00</u>	<u>102,676.19</u>	<u>48,503.81</u>
Public Safety:				
Police	122,214.00	127,214.00	127,185.05	28.95
Total Public Safety	<u>122,214.00</u>	<u>127,214.00</u>	<u>127,185.05</u>	<u>28.95</u>
Public Works:				
Highways and Streets	226,900.00	226,900.00	213,279.28	13,620.72
Sanitation	59,500.00	59,500.00	59,468.39	31.61
Total Public Works	<u>286,400.00</u>	<u>286,400.00</u>	<u>272,747.67</u>	<u>13,652.33</u>
Health and Welfare:				
Health	2,000.00	6,100.00	4,019.77	2,080.23
Total Health and Welfare	<u>2,000.00</u>	<u>6,100.00</u>	<u>4,019.77</u>	<u>2,080.23</u>
Culture and Recreation:				
Recreation	70,038.00	70,038.00	64,772.70	5,265.30
Parks	14,113.00	14,113.00	8,528.74	5,584.26
Libraries	31,834.00	32,234.00	32,126.64	107.36
Total Culture and Recreation	<u>115,985.00</u>	<u>116,385.00</u>	<u>105,428.08</u>	<u>10,956.92</u>
Debt Service	<u>18,000.00</u>	<u>18,000.00</u>	<u>16,836.00</u>	<u>1,164.00</u>
Total Expenditures	<u>694,279.00</u>	<u>705,279.00</u>	<u>628,892.76</u>	<u>76,386.24</u>
Excess of Revenue Over (Under) Expenditures	<u>(10,000.00)</u>	<u>(21,000.00)</u>	<u>131,481.35</u>	<u>152,481.35</u>
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(45,000.00)	(45,000.00)
Unexplained Variance	0.00	0.00	5,204.32	5,204.32
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>(39,795.68)</u>	<u>(39,795.68)</u>
Net Change in Fund Balances	<u>(10,000.00)</u>	<u>(21,000.00)</u>	<u>91,685.67</u>	<u>112,685.67</u>
Fund Balance - Beginning	<u>874,287.56</u>	<u>874,287.56</u>	<u>874,287.56</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>864,287.56</u>	<u>853,287.56</u>	<u>965,973.23</u>	<u>112,685.67</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIBRARY FUND
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeits:				
Library	0.00	0.00	124.71	124.71
Total Fines and Forfeits	0.00	0.00	124.71	124.71
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	0.00	0.00	2,249.35	2,249.35
Total Miscellaneous Revenue	0.00	0.00	2,249.35	2,249.35
Total Revenue	0.00	0.00	2,374.06	2,374.06
Expenditures:				
Libraries	0.00	0.00	4,992.22	(4,992.22)
Total Culture and Recreation	0.00	0.00	4,992.22	(4,992.22)
Total Expenditures	0.00	0.00	4,992.22	(4,992.22)
Excess of Revenue Over (Under) Expenditures	0.00	0.00	(2,618.16)	(2,618.16)
Net Change in Fund Balances	0.00	0.00	(2,618.16)	(2,618.16)
Fund Balance - Beginning	16,264.88	16,264.88	16,264.88	0.00
FUND BALANCE - ENDING	16,264.88	16,264.88	13,646.72	(2,618.16)

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	338,757.76	338,757.76	331,031.66	(7,726.10)
General Sales and Use Taxes	187,350.00	187,350.00	182,134.11	(5,215.89)
Penalties & Interest on Delinquent Taxes	0.00	0.00	1,457.32	1,457.32
Total Taxes	526,107.76	526,107.76	514,623.09	(11,484.67)
Licenses and Permits	2,600.00	2,600.00	3,155.00	555.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	782.66	782.66
State Grants	3,776.65	3,776.65	0.00	(3,776.65)
State Shared Revenue:				
Bank Franchise Tax	3,776.67	3,776.67	3,652.27	(124.40)
Prorate License Fees	0.00	0.00	1,683.71	1,683.71
Liquor Tax Reversion	3,776.67	3,776.67	4,028.00	251.33
Motor Vehicle Licenses	3,776.67	3,776.67	8,264.67	4,488.00
Local Government Highway and Bridge Fund	3,776.67	3,776.67	16,918.39	13,141.72
State Payments in Lieu of Taxes	3,776.67	3,776.67	0.00	(3,776.67)
County Shared Revenue:				
County Road Tax	4,893.00	4,893.00	0.00	(4,893.00)
County Road & Bridge Tax	2,446.00	2,446.00	1,438.11	(1,007.89)
Other	2,446.00	2,446.00	0.00	(2,446.00)
Total Intergovernmental Revenue	32,445.00	32,445.00	36,767.81	4,322.81
Charges for Goods and Services:				
Sanitation	65,000.00	65,000.00	67,058.74	2,058.74
Culture and Recreation	13,000.00	13,000.00	16,236.32	3,236.32
Total Charges for Goods & Services	78,000.00	78,000.00	83,295.06	5,295.06
Fines and Forfeits:				
Court Fines and Costs	166.67	166.67	0.00	(166.67)
Animal Control Fines	166.67	166.67	0.00	(166.67)
Parking Meter Fines	166.67	166.67	0.00	(166.67)
Other	166.67	166.67	1,304.91	1,138.24
Total Fines and Forfeits	666.68	666.68	1,304.91	638.23
Miscellaneous Revenue:				
Investment Earnings	7,000.00	7,000.00	4,020.92	(2,979.08)
Rentals	166.66	166.66	2,480.00	2,313.34
Special Assessments	166.66	166.66	10,404.43	10,237.77
Other	1,000.00	1,000.00	13,894.55	12,894.55
Total Miscellaneous Revenue	8,333.32	8,333.32	30,799.90	22,466.58
Total Revenue	648,152.76	648,152.76	669,945.77	21,793.01

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	12,500.00	24,500.00	20,311.03	4,188.97
Contingency	41,000.00	41,000.00		
Amount Transferred		(25,595.72)		15,404.28
Elections	1,500.00	1,500.00	19.69	1,480.31
Financial Administration	65,500.00	78,364.76	77,209.67	1,155.09
Other	55,000.00	55,000.00	1,696.13	53,303.87
Total General Government	175,500.00	174,769.04	99,236.52	75,532.52
Public Safety:				
Police	65,000.00	65,000.00	60,551.51	4,448.49
Fire	0.00	0.00	391.19	(391.19)
Total Public Safety	65,000.00	65,000.00	60,942.70	4,057.30
Public Works:				
Highways and Streets	275,402.76	279,497.76	163,613.47	115,884.29
Sanitation	54,000.00	63,000.00	58,221.21	4,778.79
Total Public Works	329,402.76	342,497.76	221,834.68	120,663.08
Health and Welfare:				
Health	2,500.00	2,500.00	0.00	2,500.00
Total Health and Welfare	2,500.00	2,500.00	0.00	2,500.00
Culture and Recreation:				
Recreation	48,000.00	116,230.96	110,988.30	5,242.66
Parks	12,000.00	13,000.00	21,521.70	(8,521.70)
Libraries	15,750.00	31,750.00	31,412.41	337.59
Total Culture and Recreation	75,750.00	160,980.96	163,922.41	(2,941.45)
Debt Service	0.00	0.00	14,731.50	(14,731.50)
Total Expenditures	648,152.76	745,747.76	560,667.81	185,079.95
Excess of Revenue Over (Under) Expenditures	0.00	(97,595.00)	109,277.96	206,872.96
Other Financing Sources (Uses):				
Compensation for Loss or Damage to Capital Assets	0.00	0.00	1,472.92	1,472.92
Unexplained Variance	0.00	0.00	(14,584.50)	(14,584.50)
Total Other Financing Sources (Uses)	0.00	0.00	(13,111.58)	(13,111.58)
Net Change in Fund Balances	0.00	(97,595.00)	96,166.38	193,761.38
Fund Balance - Beginning	778,121.18	778,121.18	778,121.18	0.00
FUND BALANCE - ENDING	778,121.18	680,526.18	874,287.56	193,761.38

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF AVON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIBRARY FUND
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeits:				
Library	0.00	0.00	78.35	78.35
Total Fines and Forfeits	0.00	0.00	78.35	78.35
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	0.00	0.00	9,476.54	9,476.54
Total Miscellaneous Revenue	0.00	0.00	9,476.54	9,476.54
Total Revenue	0.00	0.00	9,554.89	9,554.89
Expenditures:				
Culture and Recreation:				
Libraries	0.00	0.00	6,410.11	(6,410.11)
Total Culture and Recreation	0.00	0.00	6,410.11	(6,410.11)
Total Expenditures	0.00	0.00	6,410.11	(6,410.11)
Excess of Revenue Over (Under) Expenditures	0.00	0.00	3,144.78	3,144.78
Net Change in Fund Balances	0.00	0.00	3,144.78	3,144.78
Fund Balance - Beginning	13,120.10	13,120.10	13,120.10	0.00
FUND BALANCE - ENDING	13,120.10	13,120.10	16,264.88	3,144.78

NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

The Municipality did not encumber any amounts at December 31, 2023 and 2024.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with the cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Ten Years *

Calendar Year	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2024	0.006630%	\$ (268.38)	\$ 174,540.34	0.15%	100.00%
2023	0.006679%	\$ (651.90)	\$ 150,773.80	0.43%	100.10%
2022	0.003597%	\$ (339.94)	\$ 59,272.36	0.57%	100.10%
2021	0.007089%	\$ (54,289.61)	\$ 147,537.98	36.80%	105.52%
2020	0.007189%	\$ (312.20)	\$ 144,858.43	0.22%	100.04%
2019	0.006705%	\$ (710.51)	\$ 126,493.82	0.56%	100.09%
2018	0.066150%	\$ (154.27)	\$ 125,045.78	0.12%	100.02%
2017	0.006152%	\$ (558.32)	\$ 113,565.41	0.49%	100.10%
2016	0.006179%	\$ 20,873.41	\$ 106,087.91	19.68%	96.89%
2015	0.006045%	\$ (25,639.00)	\$ 99,421.72	25.79%	104.10%

* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PENSION CONTRIBUTIONS

South Dakota Retirement System

Last Ten Years

<u>Calendar Year</u>	<u>Contractually required contribution</u>	<u>relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2024	\$ 11,564.85	\$ 11,564.85	\$ -	\$ 180,261.34	6.42%
2023	\$ 10,505.63	\$ 10,505.63	\$ -	\$ 163,715.56	6.42%
2022	\$ 4,527.19	\$ 4,527.19	\$ -	\$ 74,155.94	6.10%
2021	\$ 8,097.03	\$ 8,097.03	\$ -	\$ 127,068.86	6.37%
2020	\$ 9,528.26	\$ 9,528.26	\$ -	\$ 145,623.58	6.54%
2019	\$ 8,986.77	\$ 8,986.77	\$ -	\$ 136,606.84	6.58%
2018	\$ 8,370.60	\$ 8,370.60	\$ -	\$ 126,677.04	6.61%
2017	\$ 7,709.75	\$ 7,709.75	\$ -	\$ 116,865.70	6.60%
2016	\$ 7,383.54	\$ 7,383.54	\$ -	\$ 112,169.18	6.58%
2015	\$ 6,682.47	\$ 6,682.47	\$ -	\$ 100,560.11	6.65%

**Notes to Required Supplementary Information
for the two Years Ended December 31, 2024**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023 Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

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

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%.

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 20, 2024. The FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 20, 2027 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

SUPPLEMENTARY INFORMATION

SCHEDULE OF LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Loans Payable:					
Street Improvement RECD Loan	259,266.35		23,120.96	236,145.39	11,933.70
Total Governmental Activities	259,266.35	0.00	23,120.96	236,145.39	11,933.70
Business-Type Activities:					
Bonds Payable:					
SRF Clean Water Revenue Bonds, Series 2020	133,970.49		11,120.94	122,849.55	5,771.82
SRF Drinking Water Revenue Borrower Bond, Series 2020	168,919.29		14,022.15	154,897.14	7,277.56
Total Business-Type Activities	302,889.78	0.00	25,143.09	277,746.69	13,049.38
TOTAL PRIMARY GOVERNMENT	562,156.13	0.00	48,264.05	513,892.08	24,983.08

Liabilities payable at December 31, 2024 is comprised of the following:

General Notes Payable:

Rural Development Street Improvement
Loan Series 2020
Interest Rate: 2.125% Maturity Date of November 22, 2041
Paid by General Fund

\$ 236,145.39

Revenue Bonds:

SRF Clean Water Revenue Bonds - Series 2020;
Interest Rate at 2.5%; Maturity Date of February 15, 2042;
Paid by Sewer Fund

\$ 122,849.55

SRF Drinking Water Revenue Bonds - Series 2020;
Interest Rate at 2.5%; Maturity Date of February 15, 2042;
Paid by Water Fund

\$ 154,897.14

SUPPLEMENTARY INFORMATION
(Continued)

The annual requirements to amortize all liabilities outstanding as of December 31, 2024, including interest payments of \$109,488.88, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities
December 31, 2024

Year Ending Dec. 31,	Rural Development Street Improvement Loan Series 2020		SRF Clean Water Revenue Bond Series 2020	
	Principal	Interest	Principal	Interest
2025	11,933.70	4,902.30	5,771.82	3,017.42
2026	12,189.75	4,646.25	5,917.48	2,871.76
2027	12,451.33	4,384.67	6,066.82	2,722.42
2028	12,718.50	4,117.50	6,219.91	2,569.33
2029	12,991.44	3,844.56	6,376.87	2,412.37
2030-2034	69,260.30	14,919.70	34,380.99	9,565.21
2035-2039	77,017.17	7,162.83	38,943.61	5,002.59
2040-2044	27,583.20	476.80	19,172.05	603.74
Totals	<u>236,145.39</u>	<u>44,454.61</u>	<u>122,849.55</u>	<u>28,764.84</u>

Year Ending Dec. 31,	SRF Drinking Water Revenue Bond Series 2020		TOTALS	
	Principal	Interest	Principal	Interest
2025	7,277.56	3,804.56	24,983.08	11,724.28
2026	7,461.22	3,620.90	25,568.45	11,138.91
2027	7,649.51	3,432.61	26,167.66	10,539.70
2028	7,842.54	3,239.58	26,780.95	9,926.41
2029	8,040.46	3,041.66	27,408.77	9,298.59
2030-2034	43,350.18	12,060.42	146,991.47	36,545.33
2035-2039	49,103.09	6,307.51	165,063.87	18,472.93
2040-2044	24,172.58	762.19	70,927.83	1,842.73
Totals	<u>154,897.14</u>	<u>36,269.43</u>	<u>513,892.08</u>	<u>109,488.88</u>