

**CITY OF BOWDLE
BOWDLE, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEARS THEN ENDED
DECEMBER 31, 2023 AND 2022**

**CITY OF BOWDLE
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

INDEPENDENT AUDITORS' REPORT

Governing Board
City of Bowdle
Bowdle, 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, the business-type activities, and each major fund (except as described below) of the City of Bowdle, South Dakota (City), as of December 31, 2023 and 2022, and for the the years then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 15, 2024. In our report, we issued an adverse opinion on the Bowdle Healthcare Center Fund and discretely presented component unit, and a qualified opinion on the business-type activities because the financial statements of the primary government excluded the Bowdle Healthcare Center Fund and the City's legally separate component unit.

Report on Internal Control Over Financial Reporting

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

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

Jason W. Bauer, CPA, CGMA, PFS • bauer@cabillbauer.com

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005 and 2023-006 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

Caillie Bauer

Mobridge, South Dakota

August 15, 2024

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

PRIOR AUDIT FINDINGS

Finding 2021-001 and 2020-001:

A lack of proper segregation of duties existed for the duties for cash, equity, revenue, expenditures and the payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This lack of segregation of duties has a direct effect on the cash management of the City.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-001. The reason for recurrence is due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

Finding 2021-002 and 2020-002:

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting - modified cash basis. As auditors, we were requested to draft the financial statements.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-002. The reason for recurrence is due to cost considerations, the City accepts the risks associates with the auditors preparing the financial statements. The City will implement compensating controls where practical.

Finding 2021-003 and 2020-003:

The City does not have an internal control system designed to ensure that necessary adjusting entries have been made in accordance with other comprehensive basis of accounting - modified cash basis.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-003. The City will implement compensating controls where practical.

Finding 2021-004 and 2020-004:

The City does not have an internal control system designed to ensure that minutes are timely published in accordance with SDCL 9-18-1.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-004.

Finding 2021-005

The City does not have an internal control structure to ensure that customer billings are being billed using approved rates.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-005 and 2022-005.

Finding 2023-006 and 2022-006:

The City does not have an internal control structure in place to properly monitor the budget. Several departments overspent the amounts appropriated.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2023-006 and 2022-006.

CURRENT AUDIT FINDINGS

Internal Control-Related Findings - Material Weaknesses

Finding 2023-001 and 2022-001

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Condition Found

A lack of proper segregation of duties existed for the duties for cash, equity, revenue, expenditures and the payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This lack of segregation of duties has a direct effect on the cash management of the City.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Cause/Effect

The City of Bowdle, has a limited number of employees who prepare all records for cash, revenues, equity, expenditures and payroll. This lack of segregation of duties could result in inaccurate financial statement and/or misappropriations of funds.

Recommendation

We recommend that City officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever and wherever possible and practical.

Identification of Repeat Finding

This is the sixth consecutive in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this finding. Because of the size of the City, the City can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor and City Council are aware of the problem. We will be working on some different policies and controls that will help minimize the future risk. This will be an ongoing process that will include input from the state auditor's office, talking to other municipalities, and utilizing the Council in some of the controls.

Finding 2023-002 and 2022-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting - modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting - modified cash basis. As auditors, we were requested to draft the financial statements.

Cause/Effect

This condition may affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification of Repeat Finding

This is the sixth consecutive in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this comment. The City is continuing its work on correcting this deficiency.

Finding 2023-003 and 2022-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting - modified cash basis.

Condition Found

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause/Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Identification of Repeat Finding

This is the sixth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this comment. The City of Bowdle is continuing its work in correcting this deficiency.

Finding 2023-004 and 2022-004

Criteria

An organization's internal control structure should provide for compliance with timely publishing of the minutes of the City in accordance with SDCL 9-18-1.

Condition Found

While conducting our audit, we identified certain minutes in 2020 and 2021 that were not published within twelve business days as required by SDCL 9-18-1.

Cause/Effect

The lack of oversight by management led to a noncompliance that could potentially lead to penalties, fines, or other ramifications.

Recommendation

We recommend management and the City Council implement controls and procedures that ensure the timely publishing of minutes going forward.

Identification of Repeat Finding

This is the fifth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this comment. The City of Bowdle is continuing its work in correcting this deficiency.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Finding 2023-005 and 2022-005

Criteria

An organization's internal control structure should provide for customer billings for water bills being billed using the approved rates.

Condition Found

While conducting our audit, we identified water bills in 2023 and 2022 that were being charged to customers using incorrect billing rates in certain tiers.

Cause/Effect

The lack of oversight by management led to customers being billed incorrectly on their water bills.

Recommendation

We recommend management and the City Council implement controls and procedures that ensure that water bills are being processed using the correct approved rates.

Identification of Repeat Finding

This is the third consecutive audit report in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this comment. The City of Bowdle is continuing its work in correcting this deficiency.

Finding 2023-006 and 2023-006

Criteria

The City shall refrain from spending in excess of the amount appropriated for any purpose or any department each year except as otherwise specially provided for by statute.

Condition Found

The City overspent amounts appropriated for several departments in the General Fund in 2023 and 2022.

**CITY OF BOWDLE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Cause/Effect

This condition resulted in spending of unappropriated funds in the General Fund for 2023 and 2022.

Recommendation

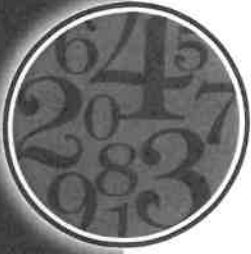
We recommend management and the City Council implement controls and procedures that ensure each department of a legally required budget is not overspent and supplement the budget accordingly if necessary.

Identification of Repeat Finding

This is the fourth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

The City's finance officer, Carrie Poirier, is the contact person responsible for the corrective action plan for this comment. The City of Bowdle is continuing its work in correcting this deficiency.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Governing Board
City of Bowdle
Bowdle, South Dakota

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund (except as described below) of the City of Bowdle, South Dakota, as of December 31, 2023 and 2022, and for the years then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

<u>Summary of Opinions</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Qualified
General Fund	Unmodified
Bowdle Economic Development Corporation	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Bowdle Healthcare Center Fund	Adverse
Discretely Presented Component Unit	Adverse

Adverse Opinion on the Bowdle Healthcare Center Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above do not present fairly the financial position of the Bowdle Healthcare Center Fund of the City of Bowdle as of December 31, 2023 and 2022, or the changes in financial position for the years then ended in accordance with the modified cash basis of accounting.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Bowdle as of December 31, 2023 and 2022 or changes in financial position for the years then ended in accordance with the modified cash basis of accounting.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

Qualified Opinions on Business-Type Activities

In our opinion, except for the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Bowdle as of December 31, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions on Governmental Activities, General Fund, Bowdle Economic Development Corporation, Water Fund, and Sewer Fund

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Bowdle Healthcare Center Fund of the City of Bowdle as of December 31, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with the modified cash basis of accounting.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Bowdle Healthcare Center Fund and Aggregate Discretely Presented Component Unit and Qualified Opinion on Business-Type Activities

Management has not included the Bowdle Healthcare Center Fund in the City of Bowdle's financial statements. Accounting principles generally accepted in the United States of America require the Bowdle Healthcare Center Fund to be presented as a major enterprise fund and financial information about the Bowdle Healthcare Center Fund to be part of the business-type activities, thus increasing that activity's assets, revenues, expenses, and changing its net position. The amount by which this departure would affect the assets, net position, revenues and expenses of the business-type activities and the omitted major fund has not been determined.

The financial statements do not include financial data for the City of Bowdle's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City of Bowdle also issues financial statements for the financial reporting entity that include financial data for its component units. The City of Bowdle has not issued such reporting entity financial statements. The effects of not including the City of Bowdle's legally separate component unit on the aggregate discretely component unit and the aggregate remaining fund information have not been determined.

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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) are presented for 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, Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2024 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 City's internal control over financial reporting and compliance.

Caillie Bamer

Mobridge, South Dakota
August 15, 2024

CITY OF BOWDLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 192,526	\$ 86,178	\$ 278,704
Investments	56,000	50,000	106,000
Internal balances	59,866	(59,866)	-
TOTAL ASSETS	308,392	76,312	384,704
NET POSITION			
Unrestricted	308,392	76,312	384,704
TOTAL NET POSITION	\$ 308,392	\$ 76,312	\$ 384,704

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 267,283	\$ 151,729	\$ 419,012
Investments	56,000	50,000	106,000
Internal balances	31,818	(31,818)	-
TOTAL ASSETS	355,101	169,911	525,012
NET POSITION			
Unrestricted	355,101	169,911	525,012
TOTAL NET POSITION	\$ 355,101	\$ 169,911	\$ 525,012

CITY OF BOWDLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government		
					Business-Type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 105,648	\$ 25,237	\$ 1,139	\$ (79,272)	\$ -	\$ -	(79,272)
Public safety	21,328	-	-	(21,328)	-	-	(21,328)
Public works	212,984	8,628	42,553	(161,803)	-	-	(161,803)
Health and welfare	131	-	-	(131)	-	-	(131)
Culture and recreation	54,587	-	7,017	(47,570)	-	-	(47,570)
Conservation and development	56,269	17,203	-	(39,066)	-	-	(39,066)
Other	202	-	-	(202)	-	-	(202)
Total governmental activities	451,149	51,068	50,709	(349,372)	-	-	(349,372)
Business-type activities							
Water	197,223	168,685	-	-	(28,538)	-	(28,538)
Sewer	247,577	179,375	-	-	(68,202)	-	(68,202)
Total business-type activities	444,800	348,060	-	-	(96,740)	-	(96,740)
Total primary government	\$ 895,949	\$ 399,128	\$ 50,709	\$ (349,372)	\$ (96,740)	\$ (446,112)	
General Revenues							
Taxes							
Property taxes				118,316	-	-	118,316
Sales tax				165,290	-	-	165,290
State shared revenue				4,160	-	-	4,160
Unrestricted investment earnings				7,514	2,651	-	10,165
Miscellaneous revenue				7,383	490	-	7,873
Total general revenues				302,663	3,141	-	305,804
Change in net position				(46,709)	(93,599)	-	(140,308)
Net position - beginning				355,101	169,911	-	525,012
Net position - ending				\$ 308,392	\$ 76,312	\$ -	\$ 384,704

CITY OF BOWDLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government		
					Business-Type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 93,584	\$ 29,099	\$ 546	\$ (63,939)	\$ -	\$ (63,939)	
Public safety	28,564	-	-	(28,564)	-	(28,564)	
Public works	234,923	11,093	40,832	(182,998)	-	(182,998)	
Health and welfare	839	-	-	(839)	-	(839)	
Culture and recreation	63,257	-	3,024	(60,233)	-	(60,233)	
Conservation and development	342,679	-	-	(342,679)	-	(342,679)	
Other	198	-	-	(198)	-	(198)	
Total governmental activities	764,044	40,192	44,402	(679,450)	-	(679,450)	
Business-type activities							
Water	158,999	153,395	-	-	(5,604)	(5,604)	
Sewer	158,388	111,469	42,790	-	(4,129)	(4,129)	
Total business-type activities	317,387	264,864	42,790	-	(9,733)	(9,733)	
Total primary government	\$ 1,081,431	\$ 305,056	\$ 87,192	\$ (679,450)	\$ (9,733)	\$ (689,183)	
General Revenues							
Taxes							
Property taxes				118,294	-	118,294	
Sales tax				165,234	-	165,234	
State shared revenue				4,303	-	4,303	
Unrestricted investment earnings				4,128	2,462	6,590	
Miscellaneous revenue				27,419	-	27,419	
Debt issued				375,330	-	375,330	
Total general revenues				694,708	2,462	697,170	
Change in net position				15,258	(7,271)	7,987	
Net position - beginning				339,843	177,182	517,025	
Net position - ending				\$ 355,101	\$ 169,911	\$ 525,012	

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

**CITY OF BOWDLE
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 185,901	\$ 6,625	\$ 192,526
Investments	56,000	-	56,000
Due from the water fund	59,866	-	59,866
TOTAL ASSETS	301,767	\$ 6,625	308,392
FUND BALANCES			
Assigned - economic development	\$ -	\$ 6,625	\$ 6,625
Unassigned	301,767	-	301,767
TOTAL FUND BALANCES	\$ 301,767	\$ 6,625	\$ 308,392

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

	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 228,428	\$ 38,855	\$ 267,283
Investments	56,000	-	56,000
Due from the water fund	31,818	-	31,818
TOTAL ASSETS	316,246	\$ 38,855	355,101
FUND BALANCES			
Assigned - economic development	\$ -	\$ 38,855	\$ 38,855
Unassigned	316,246	-	316,246
TOTAL FUND BALANCES	\$ 316,246	\$ 38,855	\$ 355,101

**CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
REVENUES			
Taxes			
General property taxes	\$ 118,012	\$ -	\$ 118,012
General sales and use taxes	165,290	-	165,290
Penalties and interest on delinquent taxes	304	-	304
Licenses and permits	4,617	-	4,617
Intergovernmental revenue			
Federal grants	1,139	-	1,139
State shared revenue			
Bank franchise tax	929	-	929
Prorate license fees	3,294	-	3,294
Liquor tax reversion	3,231	-	3,231
Motor vehicle licenses (5%)	13,937	-	13,937
Local government highway and bridge fund	22,797	-	22,797
County shared revenue			
County road tax (25%)	768	-	768
County wheel tax	1,757	-	1,757
Charges for goods and services			
Sanitation	8,628	-	8,628
Miscellaneous revenue			
Investment earnings	7,514	-	7,514
Rentals	20,620	17,203	37,823
Contributions and donations from private sources	7,017	-	7,017
Other	5,383	2,000	7,383
Total revenues	\$ 385,237	\$ 19,203	\$ 404,440

**CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
EXPENDITURES			
General government			
Legislative	\$ 48,568	\$ -	\$ 48,568
Financial administration	48,255	-	48,255
Other	8,825	-	8,825
Public safety			
Fire	21,328	-	21,328
Public works			
Highways and streets	203,181	-	203,181
Sanitation	8,090	-	8,090
Airport	913	-	913
Other	800	-	800
Health and welfare			
Health	131	-	131
Culture and recreation			
Senior center	600	-	600
Parks	8,603	-	8,603
Libraries	45,384	-	45,384
Conservation and development			
Economic development and assistance	5,038	51,231	56,269
Miscellaneous			
Other expenditures	-	202	202
Total expenditures	<u>399,716</u>	<u>51,433</u>	<u>451,149</u>
Excess of revenue over (under) expenditures	<u>(14,479)</u>	<u>(32,230)</u>	<u>(46,709)</u>
Net change in fund balances	(14,479)	(32,230)	(46,709)
Fund balance - beginning	<u>316,246</u>	<u>38,855</u>	<u>355,101</u>
Fund Balance - Ending	<u>\$ 301,767</u>	<u>\$ 6,625</u>	<u>\$ 308,392</u>

CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
REVENUES			
Taxes			
General property taxes	\$ 117,466	\$ -	\$ 117,466
General sales and use taxes	165,234	-	165,234
Penalties and interest on delinquent taxes	828	-	828
Licenses and permits	1,992	-	1,992
Intergovernmental revenue			
Federal grants	546	-	546
State shared revenue			
Bank franchise tax	1,009	-	1,009
Prorate license fees	3,144	-	3,144
Liquor tax reversion	3,294	-	3,294
Motor vehicle licenses (5%)	13,047	-	13,047
Local government highway and bridge fund	22,171	-	22,171
County shared revenue			
County road tax (25%)	768	-	768
County wheel tax	1,702	-	1,702
Charges for goods and services			
Sanitation	11,093	-	11,093
Miscellaneous revenue			
Investment earnings	4,128	-	4,128
Rentals	25,607	1,500	27,107
Contributions and donations from private sources	3,024	-	3,024
Other	14,094	75	14,169
Total revenues	\$ 389,147	\$ 1,575	\$ 390,722

**CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
EXPENDITURES			
General government			
Legislative	\$ 31,365	\$ -	\$ 31,365
Elections	460	-	460
Financial administration	34,623	-	34,623
Other	27,136	-	27,136
Public safety			
Fire	28,564	-	28,564
Public works			
Highways and streets	222,084	-	222,084
Sanitation	9,111	-	9,111
Airport	2,553	-	2,553
Cemeteries	275	-	275
Other	900	-	900
Health and welfare			
Health	839	-	839
Culture and recreation			
Senior center	6,450	-	6,450
Parks	11,129	-	11,129
Libraries	45,678	-	45,678
Conservation and development			
Economic development and assistance	-	342,679	342,679
Miscellaneous			
Other expenditures	-	198	198
Total expenditures	<u>421,167</u>	<u>342,877</u>	<u>764,044</u>
Excess of revenue over (under) expenditures	(32,020)	(341,302)	(373,322)
Other financing sources (uses)			
Sale of municipal property	13,250	-	13,250
Long-term debt issued	-	375,330	375,330
Total other financing sources	<u>13,250</u>	<u>375,330</u>	<u>388,580</u>
Net change in fund balances	(18,770)	34,028	15,258
Fund balance - beginning	<u>335,016</u>	<u>4,827</u>	<u>339,843</u>
Fund Balance - Ending	<u>\$ 316,246</u>	<u>\$ 38,855</u>	<u>\$ 355,101</u>

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

**CITY OF BOWDLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 86,178	\$ 86,178
Investments	-	50,000	50,000
TOTAL ASSETS	-	136,178	136,178
LIABILITIES AND NET POSITION			
Current liabilities			
Due to general fund	59,866	-	59,866
TOTAL LIABILITIES	59,866	-	59,866
NET POSITION			
Unrestricted	(59,866)	136,178	76,312
TOTAL NET POSITION	\$ (59,866)	\$ 136,178	\$ 76,312

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 151,729	\$ 151,729
Investments	-	50,000	50,000
TOTAL ASSETS	-	201,729	201,729
LIABILITIES AND NET POSITION			
Current liabilities			
Due to general fund	31,818	-	31,818
TOTAL LIABILITIES	31,818	-	31,818
NET POSITION			
Unrestricted	(31,818)	201,729	169,911
TOTAL NET POSITION	\$ (31,818)	\$ 201,729	\$ 169,911

CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE			
Charges for goods and services	\$ 168,685	\$ 179,375	\$ 348,060
Miscellaneous	490	-	490
Total operating revenue	<u>169,175</u>	<u>179,375</u>	<u>348,550</u>
OPERATING EXPENSES			
Personal services	40,903	40,903	81,806
Other current expense	34,475	187,300	221,775
Materials	102,471	-	102,471
Total operating expenses	<u>177,849</u>	<u>228,203</u>	<u>406,052</u>
Operating income	<u>(8,674)</u>	<u>(48,828)</u>	<u>(57,502)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	2,651	2,651
Debt service (principal)	(8,184)	(8,184)	(16,368)
Interest expense and fiscal charges	(11,190)	(11,190)	(22,380)
Total nonoperating revenues (expenses)	<u>(19,374)</u>	<u>(16,723)</u>	<u>(36,097)</u>
CHANGE IN NET POSITION	<u>(28,048)</u>	<u>(65,551)</u>	<u>(93,599)</u>
NET POSITION - BEGINNING	<u>(31,818)</u>	<u>201,729</u>	<u>169,911</u>
NET POSITION - ENDING	<u>\$ (59,866)</u>	<u>\$ 136,178</u>	<u>\$ 76,312</u>

CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE			
Charges for goods and services	\$ 152,995	\$ 111,469	\$ 264,464
Miscellaneous	400	-	400
Total operating revenue	<u>153,395</u>	<u>111,469</u>	<u>264,864</u>
OPERATING EXPENSES			
Personal services	34,122	34,172	68,294
Other current expense	15,906	67,093	82,999
Materials	89,598	-	89,598
Total operating expenses	<u>139,626</u>	<u>101,265</u>	<u>240,891</u>
Operating income	<u>13,769</u>	<u>10,204</u>	<u>23,973</u>
NONOPERATING REVENUES (EXPENSES)			
Operating grants	-	42,790	42,790
Investment earnings	-	2,462	2,462
Debt service (principal)	(7,915)	(44,715)	(52,630)
Interest expense and fiscal charges	(11,458)	(12,408)	(23,866)
Total nonoperating revenues (expenses)	<u>(19,373)</u>	<u>(11,871)</u>	<u>(31,244)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS, SPECIAL ITEMS, EXTRAORDINARY ITEMS AND TRANSFERS	<u>(5,604)</u>	<u>(1,667)</u>	<u>(7,271)</u>
Transfers in	55,000	-	55,000
Transfers out	-	(55,000)	(55,000)
CHANGE IN NET POSITION	<u>49,396</u>	<u>(56,667)</u>	<u>(7,271)</u>
NET POSITION - BEGINNING	<u>(81,214)</u>	<u>258,396</u>	<u>177,182</u>
NET POSITION - ENDING	<u>\$ (31,818)</u>	<u>\$ 201,729</u>	<u>\$ 169,911</u>

**CITY OF BOWDLE
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of the City of Bowdle (the City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity except for the Bowdle Healthcare Center Fund as described in the Independent Auditors' Report Basis for Adverse Opinion on the Bowdle Healthcare Center Fund and Qualified Opinion on Business-Type Activities paragraph, 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 nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, City of Bowdle, and two component units, the Bowdle Economic Development Corporation and the City of Bowdle Housing and Redevelopment Commission.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Bowdle Economic Development Corporation (Development Corporation) is a governmental fund-type, blended component unit. The Development Corporation's board and all vacancies to the board are appointed by the Mayor with the approval of the City Council. The Director of the Development Corporation is the City Finance Officer for which a portion of the Finance Officer's salary is for this responsibility. The Mayor and City Council, through its ability to fill and approve vacancies of the Development Corporation's Board and Director being the City Finance Officer, gives the City the ability to impose its will on the Development Corporation. The Development Corporation exclusively, or almost exclusively, benefits the primary government and, therefore, meets the criteria as a blended component unit.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

The City has elected not to present the financial information of the City of Bowdle Housing and Redevelopment Commission and, therefore, it has not been included in the financial statements of the City.

The City has elected not to present the primary government's activities of the Bowdle Healthcare Center Fund; thus, the financial information of the Bowdle Healthcare Center Fund has not been included in the financial statements of the City.

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 City and for each function of the City's governmental activities. Direct expenses and 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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

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

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

Governmental Funds

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

Bowdle Economic Development Corporation Fund - To account for the ongoing operations of the Bowdle Economic Development Corporation which strives to promote the local economy by developing programs to increase retail businesses and services in the community. This is not a major fund.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and 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 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.

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 FINANCIAL STATEMENTS - Page 4
(See Independent Auditors' Report)

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of 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 City in these financial statements is:

- a. Recording long-term investments (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

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 City 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 and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

d. 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 primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. 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

- a. The City presents the net residual amounts due between governmental and business-type activities, which are presented as amounts due to or due from other funds.
- b. The City did not have internal service fund activity which required elimination as of December 31, 2023 and 2022.

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 significantly greater number of years than most capital assets.

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 City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

g. Long-Term Liabilities

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund, financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

h. Program Revenues

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

- 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.

i. 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.

j. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purposes. The Bowdle Economic Development Corp Fund and proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each fund's equity in the cash management pool is considered to be cash and cash equivalents.

k. Equity Classifications

Government-wide Financial Statements

Equity is classified as Net Position and is displayed in two component:

- a: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b: Unrestricted Net Position - All other net assets 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.

l. Application of Net Positions

It is the City'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 are available.

m. Fund Balance Classification and Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City 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 City Council or 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.

**NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)**

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

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK AND INTEREST RATE RISK

The City 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 City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2 and may be in the form of demand or time deposits. Qualified 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 City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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 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, 2023 and 2022, the City's investments consisted of only certificates of deposits.

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

Credit Risk - State law limits eligible investments for the City. The City has no investment policy that would further limit its investment choices.

Custodial Credit Risk - The risk that, in the even of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023 and 2022, none of the City's deposits were exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS - Page 9
(See Independent Auditors' Report)

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

NOTE 3 - 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 City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 4- PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

NOTES TO FINANCIAL STATEMENTS - Page 10
(See Independent Auditors' Report)

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

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

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ended December 31, 2023, 2022, and 2021 were \$256,022, \$279,978, and \$269,954, respectively, equal to the required contributions each year.

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(See Independent Auditors' Report)

Pension Liabilities (Assets), Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023 and 2022, SDRS is 100.10% and 100.10% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023 and 2022 and reported by the City as of December 31, 2023 and 2022 (including the Bowdle Healthcare Center) are as follows:

	<u>2023</u>	<u>2022</u>
Proportionate share of total pension liability	\$ 26,515,359	\$ 27,041,231
Less proportionate share of net position restricted for pension benefits	<u>26,533,219</u>	<u>27,059,334</u>
Proportionate share of net pension asset	<u>\$ (17,860)</u>	<u>\$ (18,103)</u>

The net pension asset was measured as of June 30, 2023 and 2022 and the total pension asset used to calculate the net pension liability was based on a projection of the City's (including the Bowdle Healthcare Center) share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.182982%, which is a decrease of 0.008574% from its proportion measured as of June 30, 2022. At June 30, 2022, the City's proportion was 0.191556%, which is a decrease of 0.014244% from its proportion measured as of June 30, 2021.

Actuarial Assumptions:

The total pension asset in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.5% 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

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation 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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Expected Real Rate of Return
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	100.0%	

NOTES TO FINANCIAL STATEMENTS - Page 13
(See Independent Auditors' Report)

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the City's (including the Bowdle Healthcare Center) proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 3,660,645	\$ (17,860)	\$ (3,026,175)

Pension Plan Fiduciary Net Position:

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

NOTE 5 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023 and 2022, the City managed its risks as follows:

Employee Health Insurance

The City 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.

NOTES TO FINANCIAL STATEMENTS - Page 14
(See Independent Auditors' Report)

Liability Insurance

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

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

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

Unemployment Benefits

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

NOTE 6 - LITIGATION

At December 31, 2023 and 2022 the City was not involved in any litigation.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

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(See Independent Auditors' Report)

NOTE 8 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City 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>2022</u>	<u>2023</u>
General Government - Legislative	\$ -	\$ 10,568
General Government - Financial Administration	-	15,700
General Government - Other	-	3,825
Public Safety - Fire	14	-
Public Works - Highways and Streets	7,184	22,281
Public Works - Sanitation	-	590
Public Works - Airports	478	-
Culture and Recreation - Library	4,128	7,384

The City plans to exercise more stringent budgetary controls to ensure expenditures in excess of appropriations at the department level will not occur.

NOTE 9 - DEFICIT NET POSITION

As of December 31, 2023, the Water Fund had a deficit net position in the amount of \$59,866. The City plans to take measures to increase rates to increase revenues and make operating transfers from the General Fund, as necessary, to address the deficit net position.

NOTE 10 - INTERFUND TRANSFERS

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

	Transfers In	Transfers Out	Total
Water Fund	\$ 55,000	\$ -	\$ 55,000
Sewer Fund	-	(55,000)	(55,000)
	<u>\$ 55,000</u>	<u>\$ (55,000)</u>	<u>\$ -</u>

The purpose of the interfund transfer from Sewer Fund to the Water Fund was due to revenues being insufficient to support the expenditures of the fund.

SUPPLEMENTARY INFORMATION

**CITY OF BOWDLE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts (Budgetary Basis)	
REVENUES				
Taxes				
General property tax	\$ 114,250	\$ 114,250	\$ 118,012	\$ 3,762
General sales and use tax	155,000	155,000	165,290	10,290
Penalties and interest on delinquent taxes	500	500	304	(196)
Licenses and permits	2,050	2,050	4,617	2,567
Intergovernmental revenue				
Federal grants	2,000	2,000	1,139	(861)
State shared revenue				
Bank franchise tax	1,000	1,000	929	(71)
Motor vehicle commercial prorated	500	500	3,294	2,794
Liquor tax reversion	3,000	3,000	3,231	231
Motor vehicle licenses (5%)	12,000	12,000	13,937	1,937
Local government highway and bridge fund	20,000	20,000	22,797	2,797
County shared revenue				
County road tax (25%)	750	750	768	18
County wheel tax	750	750	1,757	1,007
Charges for goods and services				
Sanitation	10,000	10,000	8,628	(1,372)
Miscellaneous revenue				
Investment earnings	7,500	7,500	7,514	14
Rentals	22,000	22,000	20,620	(1,380)
Contributions and donations	5,000	5,000	7,017	2,017
Other	10,450	10,450	5,383	(5,067)
Total revenue	\$ 366,750	366,750	\$ 385,237	\$ 18,487

**CITY OF BOWDLE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts (Budgetary Basis)	
EXPENDITURES				
General government				
Legislative	\$ 38,000	\$ 38,000	\$ 48,568	\$ (10,568)
Contingency	10,000	10,000	-	-
Amount transferred		-	-	10,000
Elections	600	600	-	600
Financial administration	32,555	32,555	48,255	(15,700)
Other	5,000	5,000	8,825	(3,825)
Public safety				
Fire	22,550	22,550	21,328	1,222
Public works				
Highways and streets	180,900	180,900	203,181	(22,281)
Sanitation	7,500	7,500	8,090	(590)
Airport	2,000	2,000	913	1,087
Cemetary	300	300	-	300
Other	900	900	800	100
Health and welfare				
Health	300	300	131	169
Culture and recreation				
Senior center	1,200	1,200	600	600
Parks	16,500	16,500	8,603	7,897
Libraries	38,000	38,000	45,384	(7,384)
Conservation and development				
Economic development and assistance	5,200	5,200	5,038	162
Total Expenditures	<u>361,505</u>	<u>361,505</u>	<u>399,716</u>	<u>(38,211)</u>
Excess revenue over/under expenditures	<u>5,245</u>	<u>5,245</u>	<u>(14,479)</u>	<u>(19,724)</u>
Net change in fund balances	<u>5,245</u>	<u>5,245</u>	<u>(14,479)</u>	<u>(19,724)</u>
Fund balance - beginning	<u>316,246</u>	<u>316,246</u>	<u>316,246</u>	<u>-</u>
Fund balance - ending	<u>\$ 321,491</u>	<u>\$ 321,491</u>	<u>\$ 301,767</u>	<u>\$ (19,724)</u>

(Continued on next page)

**CITY OF BOWDLE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts (Budgetary Basis)	
REVENUES				
Taxes				
General property tax	\$ 114,250	\$ 114,250	\$ 117,466	\$ 3,216
General sales and use tax	155,000	155,000	165,234	10,234
Penalties and interest on delinquent taxes	500	500	828	328
Licenses and permits	2,050	2,050	1,992	(58)
Intergovernmental revenue				
Federal grants	2,000	2,000	546	(1,454)
State shared revenue				
Bank franchise tax	1,000	1,000	1,009	9
Motor vehicle commercial prorate	500	500	3,144	2,644
Liquor tax reversion	3,000	3,000	3,294	294
Motor vehicle licenses (5%)	12,000	12,000	13,047	1,047
Local government highway and bridge fund	20,000	20,000	22,171	2,171
County shared revenue				
County road tax (25%)	750	750	768	18
County wheel tax	750	750	1,702	952
Charges for goods and services				
Sanitation	10,000	10,000	11,093	1,093
Miscellaneous revenue				
Investment earnings	7,500	7,500	4,128	(3,372)
Rentals	22,000	22,000	25,607	3,607
Contributions and donations	5,000	5,000	3,024	(1,976)
Other	10,450	10,450	14,094	3,644
Total revenue	\$ 366,750	\$ 366,750	\$ 389,147	\$ 22,397

**CITY OF BOWDLE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts (Budgetary Basis)	
EXPENDITURES				
General government				
Legislative	\$ 36,250	\$ 38,250	\$ 31,365	\$ 6,885
Contingency	10,000	10,000	-	-
Amount transferred	-	-	-	10,000
Elections	600	600	460	140
Financial administration	32,550	36,550	34,623	1,927
Other	4,900	28,900	27,136	1,764
Public safety				
Fire	22,550	28,550	28,564	(14)
Public works				
Highways and streets	180,900	214,900	222,084	(7,184)
Sanitation	8,000	9,200	9,111	89
Airport	2,075	2,075	2,553	(478)
Cemetary	275	275	275	-
Other	900	900	900	-
Health and welfare				
Health	250	850	839	11
Culture and recreation				
Senior center	6,400	6,500	6,450	50
Parks	16,900	16,900	11,129	5,771
Libraries	34,550	41,550	45,678	(4,128)
Total Expenditures	<u>357,100</u>	<u>436,000</u>	<u>421,167</u>	<u>14,833</u>
Excess revenue over/under expenditures	<u>9,650</u>	<u>(69,250)</u>	<u>(32,020)</u>	<u>37,230</u>
Other financing sources/(uses)				
Sale of municipal property	<u>-</u>	<u>-</u>	<u>13,250</u>	<u>13,250</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>13,250</u>	<u>13,250</u>
Net change in fund balances	<u>9,650</u>	<u>(69,250)</u>	<u>(18,770)</u>	<u>50,480</u>
Fund balance - beginning	<u>335,016</u>	<u>335,016</u>	<u>335,016</u>	<u>-</u>
Fund balance - ending	<u>\$ 344,666</u>	<u>\$ 265,766</u>	<u>\$ 316,246</u>	<u>\$ 50,480</u>

**CITY OF BOWDLE
NOTES TO SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The City 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/City Council introduces the annual appropriation ordinance for ensuing fiscal year.
2. After adoption by the Governing Board/City Council, 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/City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/City Council.

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, special revenue funds and capital projects funds.

The City did not encumber any amounts at December 31, 2023 and 2022.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and major special revenue funds.

CITY OF BOWDLE

NOTES TO SUPPLEMENTARY INFORMATION - Page 2

**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 - OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED CASH
BASIS/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 Comparison 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.

**CITY OF BOWDLE
SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

<u>Indebtedness</u>	<u>Long-Term Debt 01/01/2022</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/2022</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/2023</u>
USDA Rural Development Loan 1	\$ 603,479	\$ -	\$ 13,625	\$ 589,854	\$ -	\$ 14,075	\$ 575,779
USDA Rural Development Loan 2	133,570	-	2,233	131,337	-	2,292	129,045
SD Housing Development	-	375,330	-	375,330	-	-	375,330
First State Bank of Roscoe	36,800	-	36,800	-	-	-	-
	<u>\$ 773,849</u>	<u>\$ 375,330</u>	<u>\$ 52,658</u>	<u>\$ 1,096,521</u>	<u>\$ -</u>	<u>\$ 16,367</u>	<u>\$ 1,080,154</u>

**CITY OF BOWDLE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2023	0.1830%	\$ (17,860)	\$ 4,719,784	-0.38%	100.10%
SDRS	6/30/2022	0.1916%	(18,103)	4,574,062	-0.40%	100.10%
SDRS	6/30/2021	0.2058%	(1,576,076)	4,670,493	-33.75%	105.52%
SDRS	6/30/2020	0.1830%	(7,948)	4,096,390	-0.19%	100.04%
SDRS	6/30/2019	0.1868%	(19,799)	3,883,498	-0.50%	100.09%
SDRS	6/30/2018	0.1893%	(4,416)	3,733,310	-0.10%	100.02%
SDRS	6/30/2017	0.1793%	(16,272)	3,413,782	-0.50%	100.10%
SDRS	6/30/2016	0.1677%	566,379	3,188,269	17.80%	96.89%

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

**CITY OF BOWDLE
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)**

Changes from Prior Valuation:

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes:

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

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, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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