

**MUNICIPALITY OF BURKE
BURKE, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022
AND
FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF BURKE

MUNICIPAL OFFICIALS
DECEMBER 31, 2023

MAYOR:

Thomas Glover

GOVERNING BOARD:

Wyatt Reis – President
Tyler Van Metre – Vice-President
Mark Benter
Todd Halsne
Megan Lindholm
Andrew Steffen

FINANCE OFFICER:

Mike Glover

ATTORNEY:

Rachelle Norberg

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board
Municipality of Burke
Burke, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Burke, South Dakota (Municipality), as of December 31, 2023 and December 31, 2022, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated December 30, 2024. Our report includes a reference to other auditors who audited the financial statements of the Burke Housing and Redevelopment Commission, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units, as described in our report on the Municipality of Burke's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

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

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality'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 Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
December 30, 2024

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2023-001.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Findings – Material Weaknesses:

Finding Number 2023-001:

Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 1997.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Finance Officer and Deputy Finance Officer process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

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

Recommendation:

1. We recommend that the Municipality of Burke officials be cognizant of this lack of segregation of duties for revenues and attempt to develop policies and provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:

The Municipality of Burke Mayor, Thomas Glover, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Burke, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

CLOSING CONFERENCE

The audit findings were discussed with the officials during the course of the audit and with the mayor and finance officer.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Burke
Burke, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Burke, South Dakota (Municipality), as of December 31, 2023 and December 31, 2022, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Burke as of December 31, 2023 and December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Burke Housing and Redevelopment Commission, which represent 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burke Housing and Redevelopment Commission, is based on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses

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to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



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Certified Public Accountants
December 30, 2024

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MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	969,916.79	651,441.07	1,621,357.86	198,022.70
Investments	300,000.00	311,000.00	611,000.00	205,657.60
Accounts Receivable, Net	22,612.00	118,782.51	141,394.51	749.00
Other Assets	39,089.99	3,575.28	42,665.27	6,587.26
Inventories	19,220.62	51,183.55	70,404.17	
Net Pension Asset	809.54	202.24	1,011.78	225.76
Capital Assets:				
Land and Construction Work in Progress	121,680.00	35,645.00	157,325.00	21,050.00
Other Capital Assets, Net of Depreciation	4,075,165.66	984,458.97	5,059,624.63	244,318.82
TOTAL ASSETS	5,548,494.60	2,156,288.62	7,704,783.22	676,611.14
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	64,127.62	16,019.89	80,147.51	16,793.63
TOTAL DEFERRED OUTFLOWS OF RESOURCES	64,127.62	16,019.89	80,147.51	16,793.63
LIABILITIES :				
Accounts Payable	24,163.54	45,276.59	69,440.13	5,248.40
Other Current Liabilities		21,650.00	21,650.00	32,917.62
Unearned Revenue		585.29	585.29	48.00
Noncurrent Liabilities:				
Due Within One Year	58,353.56	37,801.26	96,154.82	
Due in More than One Year	204,495.37	596,942.91	801,438.28	
TOTAL LIABILITIES	287,012.47	702,256.05	989,268.52	38,214.02
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	41,475.38	10,361.07	51,836.45	11,282.57
TOTAL DEFERRED INFLOWS OF RESOURCES	41,475.38	10,361.07	51,836.45	11,282.57
NET POSITION:				
Net Investment in Capital Assets	3,976,624.48	538,941.66	4,515,566.14	265,368.82
Restricted for:				
Equipment Repair and/or Replacement		157,617.51	157,617.51	
SDRS Pension Purposes	23,461.78	5,861.06	29,322.84	5,736.82
Unrestricted	1,284,048.11	757,271.16	2,041,319.27	372,802.54
TOTAL NET POSITION	5,284,134.37	1,459,691.39	6,743,825.76	643,908.18

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

**MUNICIPALITY OF BURKE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-Type Activities	Total	Component Units
Primary Government:							
Governmental Activities:							
General Government	258,928.75	7,513.00		(251,415.75)		(251,415.75)	
Public Safety	114,835.41			(114,835.41)		(114,835.41)	
Public Works	433,472.17	46,656.94		(386,815.23)		(386,815.23)	
Health and Welfare	3,961.12			(3,961.12)		(3,961.12)	
Culture and Recreation	140,938.10	20,000.00		(118,423.10)		(118,423.10)	
Conservation and Development	186,757.75	114,000.00		(72,757.75)		(72,757.75)	
Debt Service	5,005.34			(5,005.34)		(5,005.34)	
Miscellaneous Expenditures				5,100.00		5,100.00	
Total Governmental Activities	1,143,898.64	15,128.00	180,656.94	(948,113.70)		(948,113.70)	
Business-type Activities:							
Water	209,876.22	234,614.69			24,738.47	24,738.47	
Sewer	50,234.18	192,148.74			141,914.56	141,914.56	
Electric	559,800.82	780,375.65			220,574.83	220,574.83	
Total Business-type Activities	819,911.22	1,207,139.08	0.00		387,227.86	387,227.86	
Total Primary Government	1,963,809.86	1,222,267.08	180,656.94	(948,113.70)	387,227.86	(560,885.84)	
Component Units:							
Housing and Redevelopment Commission	321,077.60	200,267.62	101,210.00				20,948.75
General Revenues:							
Taxes:							
Property Taxes				182,927.21		182,927.21	
Sales Taxes				343,470.86		343,470.86	
State Shared Revenues				7,574.24		7,574.24	
Grants and Contributions not Restricted to Specific Programs				7,333.30		7,333.30	
Unrestricted Investment Earnings				28,608.10		28,608.10	928.12
Miscellaneous Revenue				14,454.44		14,454.44	
Transfers				425,000.00	(425,000.00)	0.00	
Total General Revenues and Transfers				1,009,368.15	(425,000.00)	584,368.15	928.12
Change in Net Position				61,254.45	(37,772.14)	23,482.31	21,876.87
Net Position - Beginning				5,222,879.92	1,497,463.53	6,720,343.45	622,031.31
NET POSITION - ENDING				5,284,134.37	1,459,691.39	6,743,825.76	643,908.18

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

**MUNICIPALITY OF BURKE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023**

	General Fund
ASSETS:	
Cash and Cash Equivalents	969,916.79
Investments	300,000.00
Taxes Receivable--Delinquent	12,607.94
Special Assessments Receivable--Current	3,334.69
Special Assessments Receivable--Deferred	6,669.37
Inventory of Supplies	19,220.62
Prepaid Expenses	39,089.99
TOTAL ASSETS	1,350,839.40
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	
Liabilities:	
Claims Payable	24,163.54
Total Liabilities	24,163.54
Deferred Inflows of Resources:	
Unavailable Revenue--Property Taxes	12,607.94
Unavailable Revenue--Special Assessments	10,004.06
Total Deferred Inflows of Resources	22,612.00
Fund Balances:	
Nonspendable for Inventory	19,220.62
Nonspendable for Prepaid Expenses	39,089.99
Committed for Casualty Reserve	75,332.31
Committed for Civic Center	95,229.09
Committed for Street Maintenance	117,487.72
Assigned for Capital Projects	669,921.68
Assigned for Library	3,472.02
Assigned for Next Year's Budget	5,000.00
Unassigned	279,310.43
Total Fund Balances	1,304,063.86
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,350,839.40

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

MUNICIPALITY OF BURKE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2023

Total Fund Balances - Governmental Funds	<u>1,304,063.86</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>809.54</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>4,196,845.66</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>64,127.62</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(262,848.93)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>22,612.00</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(41,475.38)</u>
Net Position - Governmental Activities	<u><u>5,284,134.37</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund
Revenues:	
Taxes:	
General Property Taxes	180,474.75
General Sales and Use Taxes	343,470.86
Penalties and Interest on Delinquent Taxes	700.30
Licenses and Permits	1,963.00
Intergovernmental Revenue:	
Federal Payments in Lieu of Taxes	3,103.49
State Shared Revenue:	
Bank Franchise Tax	3,621.86
Motor Vehicle Commercial Prorate	2,158.03
Liquor Tax Reversion	3,952.38
Motor Vehicle Licenses	8,790.89
Local Government Highway and Bridge Fund	33,788.40
County Shared Revenue:	
County Road Tax	3,000.92
Charges for Goods and Services:	
Culture and Recreation	2,515.00
Miscellaneous Revenue:	
Investment Earnings	28,608.10
Rentals	5,550.00
Special Assessments	2,799.88
Contributions and Donations from Private Sources	141,333.30
Liquor Operating Agreement Income	5,100.00
Other	9,423.80
Total Revenue	780,354.96
Expenditures:	
General Government:	
Legislative	3,314.87
Executive	16,610.68
Elections	592.27
Financial Administration	117,687.71
Other	111,943.50
Total General Government	250,149.03

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund
Expenditures (continued):	
Public Safety:	
Police	94,476.67
Fire	10,948.69
Total Public Safety	105,425.36
Public Works:	
Highways and Streets	268,194.20
Total Public Works	268,194.20
Health and Welfare:	
Health	3,961.12
Total Health and Welfare	3,961.12
Culture and Recreation:	
Recreation	3,770.02
Parks	26,273.44
Libraries	33,487.55
Auditorium	30,872.23
Total Culture and Recreation	94,403.24
Conservation and Development:	
Economic Development and Assistance (Industrial Development)	186,757.75
Total Conservation and Development	186,757.75
Debt Service	45,000.00
Capital Outlay	551,228.34
Total Expenditures	1,505,119.04
Excess of Revenue Over (Under) Expenditures	(724,764.08)
Other Financing Sources (Uses):	
Transfers In	425,000.00
Compensation for Loss or Damage to Capital Assets	1,927.15
Transfers Out	
Total Other Financing Sources (Uses)	426,927.15
Net Change in Fund Balances	(297,836.93)
Fund Balance - Beginning	1,601,900.79
FUND BALANCE - ENDING	1,304,063.86

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

MUNICIPALITY OF BURKE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	<u>(297,836.93)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>551,228.34</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(213,815.15)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(3,000.00)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>39,994.66</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,752.16</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments and street assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(3,881.18)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(6,473.19)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	<u>443.27</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(7,157.53)</u>
Change in Net Position of Governmental Activities	<u><u>61,254.45</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	221,280.31	202,145.03	228,015.73	651,441.07
Investments		150,000.00	161,000.00	311,000.00
Accounts Receivable, Net	20,954.43	18,709.60	79,118.48	118,782.51
Inventory of Supplies	13,814.78	1,628.50	35,740.27	51,183.55
Prepaid Expenses	1,060.95	530.19	1,984.14	3,575.28
Total Current Assets	257,110.47	373,013.32	505,858.62	1,135,982.41
Noncurrent Assets:				
Net Pension Asset		101.12	101.12	202.24
Capital Assets:				
Land	1,250.00	28,395.00	6,000.00	35,645.00
Buildings			62,500.00	62,500.00
Improvements Other Than Buildings	1,283,663.12	272,375.29	558,400.63	2,114,439.04
Machinery and Equipment	6,399.95	80,414.00	122,850.00	209,663.95
Less: Accumulated Depreciation	(582,810.81)	(242,458.95)	(576,874.26)	(1,402,144.02)
Total Noncurrent Assets	708,502.26	138,826.46	172,977.49	1,020,306.21
TOTAL ASSETS	965,612.73	511,839.78	678,836.11	2,156,288.62
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows		8,009.97	8,009.92	16,019.89
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	8,009.97	8,009.92	16,019.89
LIABILITIES:				
Current Liabilities:				
Accounts Payable	8,006.78	288.59	36,981.22	45,276.59
Customer Deposits			21,650.00	21,650.00
Unearned Revenue			585.29	585.29
Bonds Payable Current:				
Revenue	18,476.81	9,324.45		27,801.26
Accrued Leave Payable -- Current	10,000.00			10,000.00
Total Current Liabilities	36,483.59	9,613.04	59,216.51	105,313.14
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	558,461.85	32,475.66		590,937.51
Accrued Leave Payable	6,005.40			6,005.40
Total Noncurrent Liabilities	564,467.25	32,475.66	0.00	596,942.91
TOTAL LIABILITIES	600,950.84	42,088.70	59,216.51	702,256.05
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows		5,180.55	5,180.52	10,361.07
TOTAL DEFERRED INFLOWS OF RESOURCES	0.00	5,180.55	5,180.52	10,361.07
NET POSITION:				
Net Investment in Capital Assets	130,313.60	235,751.69	172,876.37	538,941.66
Restricted For:				
Equipment Repair and/or Replacement		64,394.35	93,223.16	157,617.51
SDRS Pension Purposes		2,930.54	2,930.52	5,861.06
Unrestricted	234,348.29	169,503.92	353,418.95	757,271.16
TOTAL NET POSITION	364,661.89	472,580.50	622,449.00	1,459,691.39

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenue:				
Charges for Goods and Services	212,799.69	192,148.74	780,375.65	1,185,324.08
Revenue Dedicated to Servicing Debt	21,815.00			21,815.00
Total Operating Revenue	234,614.69	192,148.74	780,375.65	1,207,139.08
Operating Expenses:				
Personal Services		38,253.52	53,504.29	91,757.81
Other Current Expense	55,699.38	3,037.38	162,299.85	221,036.61
Materials (Cost of Goods Sold)	114,675.75		329,211.14	443,886.89
Depreciation	29,379.54	7,400.67	14,785.54	51,565.75
Total Operating Expenses	199,754.67	48,691.57	559,800.82	808,247.06
Operating Income (Loss)	34,860.02	143,457.17	220,574.83	398,892.02
Nonoperating Revenue (Expense):				
Interest Expense	(10,121.55)	(1,542.61)		(11,664.16)
Total Nonoperating Revenue (Expense)	(10,121.55)	(1,542.61)	0.00	(11,664.16)
Income (Loss) Before Contributions and Transfers	24,738.47	141,914.56	220,574.83	387,227.86
Transfers Out	(30,000.00)	(175,000.00)	(220,000.00)	(425,000.00)
Change in Net Position	(5,261.53)	(33,085.44)	574.83	(37,772.14)
Net Position - Beginning	369,923.42	505,665.94	621,874.17	1,497,463.53
NET POSITION - ENDING	364,661.89	472,580.50	622,449.00	1,459,691.39

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

MUNICIPALITY OF BURKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	231,750.14	191,527.90	784,328.87	1,207,606.91
Cash Payments to Employees for Services	1,544.31	(37,451.15)	(53,776.24)	(89,683.08)
Cash Payments to Suppliers of Goods and Services	(172,021.03)	(2,656.86)	(509,865.62)	(684,543.51)
Net Cash Provided (Used) by Operating Activities	<u>61,273.42</u>	<u>151,419.89</u>	<u>220,687.01</u>	<u>433,380.32</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer Out	(30,000.00)	(175,000.00)	(220,000.00)	(425,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(30,000.00)</u>	<u>(175,000.00)</u>	<u>(220,000.00)</u>	<u>(425,000.00)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(34,402.58)			(34,402.58)
Principal Paid on Capital Debt	(18,145.61)	(9,027.47)		(27,173.08)
Interest Paid on Capital Debt	(10,121.55)	(1,542.61)		(11,664.16)
Net Cash (Used) by Capital and Related Financing Activities	<u>(62,669.74)</u>	<u>(10,570.08)</u>	<u>0.00</u>	<u>(73,239.82)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(31,396.32)</u>	<u>(34,150.19)</u>	<u>687.01</u>	<u>(64,859.50)</u>
Balances - Beginning	252,676.63	386,295.22	388,328.72	1,027,300.57
Balances - Ending	<u>221,280.31</u>	<u>352,145.03</u>	<u>389,015.73</u>	<u>962,441.07</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	34,860.02	143,457.17	220,574.83	398,892.02
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	29,379.54	7,400.67	14,785.54	51,565.75
(Increase) decrease in Receivables	(2,864.55)	(620.84)	11,071.65	7,586.26
(Increase) decrease in Inventories	(2,245.14)	181.55	(1,271.21)	(3,334.80)
(Increase) decrease in Prepaid Expenses	(5.52)	(39.62)	(86.61)	(131.75)
(Increase) decrease in Net Pension Asset		(5.69)	(5.24)	(10.93)
(Increase) decrease in Pension Related Deferred Outflows		1,336.46	1,381.15	2,717.61
(Decrease) increase in Accounts and Other Payables	604.76	238.59	(16,996.81)	(16,153.46)
(Decrease) increase in Accrued Leave Payable	1,544.31		(1,092.17)	452.14
(Decrease) increase in Pension Related Deferred Inflows		(528.40)	(555.69)	(1,084.09)
(Decrease) increase in Unearned Revenue			(6,733.43)	(6,733.43)
(Decrease) increase in Customer Deposits			(385.00)	(385.00)
Net Cash Provided (Used) by Operating Activities	<u>61,273.42</u>	<u>151,419.89</u>	<u>220,687.01</u>	<u>433,380.32</u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	1,565,362.03	1,016,300.57	2,581,662.60	173,925.18
Investments		11,000.00	11,000.00	204,825.79
Accounts Receivable, Net	24,741.02	126,368.77	151,109.79	2,454.74
Other Assets	36,263.66	3,443.53	39,707.19	6,822.50
Inventories	17,953.84	47,848.75	65,802.59	
Net Pension Asset	771.42	191.31	962.73	233.81
Capital Assets:				
Land and Construction Work in Progress	121,680.00	35,645.00	157,325.00	21,050.00
Other Capital Assets, Net of Depreciation	3,740,752.47	1,001,622.14	4,742,374.61	249,954.32
TOTAL ASSETS	5,507,524.44	2,242,420.07	7,749,944.51	659,266.34
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	75,554.44	18,737.50	94,291.94	20,327.86
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,554.44	18,737.50	94,291.94	20,327.86
LIABILITIES :				
Accounts Payable	17,678.74	61,430.05	79,108.79	1,841.38
Other Current Liabilities		22,035.00	22,035.00	40,152.40
Unearned Revenue		7,318.72	7,318.72	1,174.00
Noncurrent Liabilities:				
Due Within One Year	59,994.66	37,673.08	97,667.74	796.68
Due in More than One Year	236,375.74	623,792.03	860,167.77	
TOTAL LIABILITIES	314,049.14	752,248.88	1,066,298.02	43,964.46
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	46,149.82	11,445.16	57,594.98	13,598.43
TOTAL DEFERRED INFLOWS OF RESOURCES	46,149.82	11,445.16	57,594.98	13,598.43
NET POSITION:				
Net Investment in Capital Assets	3,602,216.63	391,355.29	3,993,571.92	271,004.32
Restricted for:				
Equipment Repair and/or Replacement		157,617.51	157,617.51	
SDRS Pension Purposes	30,176.04	7,483.65	37,659.69	6,963.24
Unrestricted	1,590,487.25	941,007.08	2,531,494.33	344,063.75
TOTAL NET POSITION	5,222,879.92	1,497,463.53	6,720,343.45	622,031.31

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

MUNICIPALITY OF BURKE
STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities			Total
			Capital Grants and Contributions	Grants and Contributions		Governmental Activities	Business-Type Activities		
Primary Government:									
Governmental Activities:									
General Government	230,160.54	17,614.99			(212,545.55)			(212,545.55)	
Public Safety	105,173.00				(105,173.00)			(105,173.00)	
Public Works	442,009.78		46,400.11	105,994.54	(289,615.13)			(289,615.13)	
Health and Welfare	4,310.80				(4,310.80)			(4,310.80)	
Culture and Recreation	152,848.09	3,620.00		294,834.18	145,606.09			145,606.09	
Conservation and Development	38,838.85				(38,838.85)			(38,838.85)	
*Interest on Long-term Debt	5,215.84				(5,215.84)			(5,215.84)	
Total Governmental Activities	978,556.90	21,234.99	46,400.11	400,828.72	(510,093.08)			(510,093.08)	
Business-type Activities:									
Water	182,865.08	250,556.62				67,691.54		67,691.54	
Sewer	48,854.24	187,385.07				138,530.83		138,530.83	
Electric	532,168.23	690,275.84				158,107.61		158,107.61	
Total Business-type Activities	763,887.55	1,128,217.53	0.00	0.00		364,329.98		364,329.98	
Total Primary Government	1,742,444.45	1,149,452.52	46,400.11	400,828.72	(510,093.08)	364,329.98		(145,763.10)	
Component Units:									
Housing and Redevelopment Commission	297,396.26	196,929.76	99,443.00	14,581.27				13,557.77	
General Revenues:									
Taxes:									
Property Taxes					177,729.88			177,729.88	
Sales Taxes					387,346.66			387,346.66	
State Shared Revenues					6,535.47			6,535.47	
Unrestricted Investment Earnings					10,500.37			10,500.37	
Miscellaneous Revenue					50,988.47			50,988.47	
Transfers					361,234.00	(361,234.00)		0.00	
Total General Revenues and Transfers					994,334.85	(361,234.00)		633,100.85	
Change in Net Position					484,241.77	3,095.98		487,337.75	
Net Position - Beginning					4,738,638.15	1,494,367.55		6,233,005.70	
NET POSITION - ENDING					5,222,879.92	1,497,463.53		6,720,343.45	

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MUNICIPALITY OF BURKE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

	General Fund
ASSETS:	
Cash and Cash Equivalents	1,565,362.03
Taxes Receivable--Delinquent	10,855.78
Special Assessments Receivable--Current	3,471.32
Special Assessments Receivable--Deferred	10,413.92
Inventory of Supplies	17,953.84
Prepaid Expenses	36,263.66
TOTAL ASSETS	1,644,320.55
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	
Liabilities:	
Claims Payable	17,678.74
Total Liabilities	17,678.74
Deferred Inflows of Resources:	
Unavailable Revenue--Property Taxes	10,855.78
Unavailable Revenue--Special Assessments	13,885.24
Total Deferred Inflows of Resources	24,741.02
Fund Balances:	
Nonspendable for Inventory	17,953.84
Nonspendable for Prepaid Expenses	36,263.66
Committed for Casualty Reserve	66,361.72
Committed for Civic Center	89,045.40
Assigned for Capital Projects	1,276,661.26
Assigned for Library	2,690.95
Assigned for Next Year's Budget	5,000.00
Unassigned	107,923.96
Total Fund Balances	1,601,900.79
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,644,320.55

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

MUNICIPALITY OF BURKE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022

Total Fund Balances - Governmental Funds	<u>1,601,900.79</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension liability reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>771.42</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>3,862,432.47</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>75,554.44</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(296,370.40)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>24,741.02</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(46,149.82)</u>
Net Position - Governmental Activities	<u><u>5,222,879.92</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund
Revenues:	
Taxes:	
General Property Taxes	178,645.21
General Sales and Use Taxes	387,346.66
Penalties and Interest on Delinquent Taxes	2,592.18
Licenses and Permits	1,582.50
Intergovernmental Revenue:	
Federal Grants	105,975.72
State Grants	73,735.25
State Shared Revenue:	
Bank Franchise Tax	2,506.32
Prorate License Fees	2,093.34
Liquor Tax Reversion	4,029.15
Motor Vehicle Licenses	8,445.61
Local Government Highway and Bridge Fund	32,860.24
County Shared Revenue:	
County Road Tax	3,000.92
Other	2,944.18
Charges for Goods and Services:	
Culture and Recreation	3,620.00
Miscellaneous Revenue:	
Investment Earnings	10,500.37
Rentals	6,582.49
Special Assessments	3,490.14
Contributions and Donations from Private Sources	221,098.93
Liquor Operating Agreement Income	9,450.00
Other	41,543.29
Total Revenue	1,102,042.50
Expenditures:	
General Government:	
Legislative	2,679.44
Executive	16,397.46
Financial Administration	101,699.72
Other	106,307.24
Total General Government	227,083.86
Public Safety:	
Police	88,625.00
Fire	10,772.86
Total Public Safety	99,397.86

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund
Expenditures (continued):	
Public Works:	
Highways and Streets	289,390.71
Total Public Works	289,390.71
Health and Welfare:	
Health	4,310.80
Total Health and Welfare	4,310.80
Culture and Recreation:	
Recreation	40,972.93
Parks	9,757.98
Libraries	19,335.08
Auditorium	40,641.88
Total Culture and Recreation	110,707.87
Conservation and Development:	
Economic Development and Assistance	38,838.85
Total Conservation and Development	38,838.85
Debt Service	45,000.00
Capital Outlay	403,034.76
Total Expenditures	1,217,764.71
Excess of Revenue Over (Under) Expenditures	(115,722.21)
Other Financing Sources (Uses):	
Transfers In	452,000.00
Sale of Municipal Property	6,501.00
Transfers Out	(90,766.00)
Total Other Financing Sources (Uses)	367,735.00
Net Change in Fund Balances	252,012.79
Fund Balance - Beginning	1,349,888.00
FUND BALANCE - ENDING	1,601,900.79

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

MUNICIPALITY OF BURKE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>252,012.79</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>403,034.76</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(200,556.04)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	<u>39,784.16</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(3,507.51)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments and street assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(3,471.32)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(4,141.20)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	<u>528.00</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>558.13</u>
Change in Net Position of Governmental Activities	<u><u>484,241.77</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	252,676.63	386,295.22	377,328.72	1,016,300.57
Investments			11,000.00	11,000.00
Accounts Receivable, Net	18,089.88	18,088.76	90,190.13	126,368.77
Inventory of Supplies	11,569.64	1,810.05	34,469.06	47,848.75
Prepaid Expenses	1,055.43	490.57	1,897.53	3,443.53
Total Current Assets	<u>283,391.58</u>	<u>406,684.60</u>	<u>514,885.44</u>	<u>1,204,961.62</u>
Noncurrent Assets:				
Net Pension Asset		95.43	95.88	191.31
Capital Assets:				
Land	1,250.00	28,395.00	6,000.00	35,645.00
Buildings			62,500.00	62,500.00
Improvements Other Than Buildings	1,249,260.54	272,375.29	558,400.63	2,080,036.46
Machinery and Equipment	6,399.95	80,414.00	122,850.00	209,663.95
Less: Accumulated Depreciation	(553,431.27)	(235,058.28)	(562,088.72)	(1,350,578.27)
Total Noncurrent Assets	<u>703,479.22</u>	<u>146,221.44</u>	<u>187,757.79</u>	<u>1,037,458.45</u>
TOTAL ASSETS	<u>986,870.80</u>	<u>552,906.04</u>	<u>702,643.23</u>	<u>2,242,420.07</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows		9,346.43	9,391.07	18,737.50
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>0.00</u>	<u>9,346.43</u>	<u>9,391.07</u>	<u>18,737.50</u>
LIABILITIES:				
Current Liabilities:				
Claims Payable	7,402.02	50.00	53,978.03	61,430.05
Customer Deposits			22,035.00	22,035.00
Unearned Revenue			7,318.72	7,318.72
Bonds Payable - Current:				
Revenue	18,145.61	9,027.47		27,173.08
Accrued Leave Payable-Current	10,000.00		500.00	10,500.00
Total Current Liabilities	<u>35,547.63</u>	<u>9,077.47</u>	<u>83,831.75</u>	<u>128,456.85</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	576,938.66	41,800.11		618,738.77
Accrued Leave Payable	4,461.09		592.17	5,053.26
Total Noncurrent Liabilities	<u>581,399.75</u>	<u>41,800.11</u>	<u>592.17</u>	<u>623,792.03</u>
TOTAL LIABILITIES	<u>616,947.38</u>	<u>50,877.58</u>	<u>84,423.92</u>	<u>752,248.88</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows		5,708.95	5,736.21	11,445.16
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>0.00</u>	<u>5,708.95</u>	<u>5,736.21</u>	<u>11,445.16</u>
NET POSITION:				
Net Investment in Capital Assets	108,394.95	95,298.43	187,661.91	391,355.29
Restricted Net Position, Restricted for:				
Equipment Repair and/or Replacement		64,394.35	93,223.16	157,617.51
SDRS Pension Purposes		3,732.91	3,750.74	7,483.65
Unrestricted	261,528.47	342,240.25	337,238.36	941,007.08
TOTAL NET POSITION	<u>369,923.42</u>	<u>505,665.94</u>	<u>621,874.17</u>	<u>1,497,463.53</u>

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenue:				
Charges for Goods and Services	228,611.62	187,385.07	690,275.84	1,106,272.53
Revenue Dedicated to Servicing Debt	21,945.00			21,945.00
Total Operating Revenue	250,556.62	187,385.07	690,275.84	1,128,217.53
Operating Expenses:				
Personal Services		34,184.43	50,696.48	84,880.91
Other Current Expense	28,746.03	5,438.96	134,602.70	168,787.69
Materials (Cost of Goods Sold)	114,268.20		331,485.56	445,753.76
Depreciation	28,445.66	7,400.70	15,383.49	51,229.85
Total Operating Expenses	171,459.89	47,024.09	532,168.23	750,652.21
Operating Income (Loss)	79,096.73	140,360.98	158,107.61	377,565.32
Nonoperating Revenue (Expense):				
Interest Expense	(11,405.19)	(1,830.15)		(13,235.34)
Total Nonoperating Revenue (Expense)	(11,405.19)	(1,830.15)	0.00	(13,235.34)
Income (Loss) Before Transfers	67,691.54	138,530.83	158,107.61	364,329.98
Transfers In	90,766.00			90,766.00
Transfers Out	(126,000.00)	(126,000.00)	(200,000.00)	(452,000.00)
Change in Net Position	32,457.54	12,530.83	(41,892.39)	3,095.98
Net Position - Beginning	337,465.88	493,135.11	663,766.56	1,494,367.55
NET POSITION - ENDING	369,923.42	505,665.94	621,874.17	1,497,463.53

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

MUNICIPALITY OF BURKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	250,583.02	186,479.76	685,539.01	1,122,601.79
Cash Payments to Employees for Services	1,033.88	(34,263.02)	(50,789.09)	(84,018.23)
Cash Payments to Suppliers of Goods and Services	(140,355.41)	(5,581.84)	(455,597.55)	(601,534.80)
Net Cash Provided (Used) by Operating Activities	111,261.49	146,634.90	179,152.37	437,048.76
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer In	90,766.00			90,766.00
Transfer Out	(126,000.00)	(126,000.00)	(200,000.00)	(452,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(35,234.00)	(126,000.00)	(200,000.00)	(361,234.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(14,333.91)	(8,739.93)		(23,073.84)
Interest Paid on Capital Debt	(11,405.19)	(1,830.15)		(13,235.34)
Net Cash (Used) by Capital and Related Financing Activities	(25,739.10)	(10,570.08)	0.00	(36,309.18)
Net Increase (Decrease) in Cash and Cash Equivalents	50,288.39	10,064.82	(20,847.63)	39,505.58
Balances - Beginning	202,388.24	376,230.40	409,176.35	987,794.99
Balances - Ending	252,676.63	386,295.22	388,328.72	1,027,300.57
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	79,096.73	140,360.98	158,107.61	377,565.32
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	28,445.66	7,400.70	15,383.49	51,229.85
(Increase) decrease in Receivables	26.40	(905.31)	(12,155.55)	(13,034.46)
(Increase) decrease in Inventories	2,399.83	12.49	(1,967.62)	444.70
(Increase) decrease in Prepaid Expenses	852.61	(14.18)	(80.18)	758.25
(Increase) decrease in Net Pension Asset		7,059.99	6,995.33	14,055.32
(Increase) decrease in Pension Related Deferred Outflows		1,079.31	941.11	2,020.42
(Decrease) increase in Accounts and Other Payables	(593.62)	(141.19)	12,538.51	11,803.70
(Decrease) increase in Accrued Leave Payable	1,033.88		36.60	1,070.48
(Decrease) increase in Pension Related Deferred Inflows		(8,217.89)	(8,065.65)	(16,283.54)
(Decrease) increase in Customer Deposits			100.00	100.00
(Decrease) increase in Unearned Revenue			7,318.72	7,318.72
Net Cash Provided (Used) by Operating Activities	111,261.49	146,634.90	179,152.37	437,048.76

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Burke, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Burke Housing and Redevelopment Commission, Burke, SD 57523.

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 and discretely presented component units. 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. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
 - c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Burke, the length of that cycle is 30 days.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2023 balance of governmental activities capital assets includes approximately 8 percent for which the costs were determined by estimates of the original costs. The total December 31, 2023 balance of business-type capital assets includes approximately 21 percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	25-50 yrs.
Buildings	\$ 5,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	15-25 yrs.
Infrastructure	\$ 5,000.00	Straight-line	25-50 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	25-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

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

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

For the purposes of the proprietary fund's Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

k. Equity Classifications:

Government-wide Statements:

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

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

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 Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- b. 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.
- c. 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 do not lapse at year-end.
- d. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the finance officer.
- e. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.

The Municipal Governing Board committed the following fund balance types by taking the following action:

Fund Balance Type:	2022 <u>Amount</u>	2023 <u>Amount</u>	<u>Action</u>
Casualty Reserve	\$ 66,361.72	\$ 75,332.31	Ordinance
Civic Center	\$ 89,045.40	\$ 95,229.09	Ordinance
Street Maintenance	\$ 0.00	\$117,487.72	Ordinance

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

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

n. Pensions:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

General Fund:	<u>Year Ended</u> <u>12/31/2023</u>
<u>Activity</u>	
Economic Development & Assistance	\$ 5,543.75

The Municipal Council plans to take the following actions to address these violations: supplemental budgets will be used when legal authority exists.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

As of December 31, 2023 and 2022, the Municipality had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value 2023</u>	<u>Fair Value 2022</u>
External Investment Pools:				
SDFIT	Unrated	N/A	\$ 50,238.93	\$ 47,947.31
Total Investments			<u>\$ 50,238.93</u>	<u>\$ 47,947.31</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – the Municipality places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Municipality’s investments are in SDFIT (100%).

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

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

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. INVENTORY

Inventory is the enterprise funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

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

Government-wide Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

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

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2023 is as follows:

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2023
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	121,680.00			121,680.00
Total, not being Depreciated	<u>121,680.00</u>	<u>0.00</u>	<u>0.00</u>	<u>121,680.00</u>
Capital Assets, being Depreciated:				
Buildings	1,662,055.76	414,591.18		2,076,646.94
Improvements Other Than Buildings	2,981,336.10	412,054.12		3,393,390.22
Machinery and Equipment	525,153.18	127,617.80	(30,000.00)	622,770.98
Total, being Depreciated	<u>5,168,545.04</u>	<u>954,263.10</u>	<u>(30,000.00)</u>	<u>6,092,808.14</u>
Less Accumulated Depreciation for:				
Buildings	(395,962.01)	(75,499.06)		(471,461.07)
Improvements Other Than Buildings	(1,009,453.78)	(271,133.72)		(1,280,587.50)
Machinery and Equipment	(224,855.50)	(67,738.41)	27,000.00	(265,593.91)
Total Accumulated Depreciation	<u>(1,630,271.29)</u>	<u>(414,371.19)</u>	<u>27,000.00</u>	<u>(2,017,642.48)</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>3,538,273.75</u>	<u>539,891.91</u>	<u>(3,000.00)</u>	<u>4,075,165.66</u>
Governmental Activity Capital Assets, Net	<u>3,659,953.75</u>	<u>539,891.91</u>	<u>(3,000.00)</u>	<u>4,196,845.66</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

	<u>2022</u>	<u>2023</u>
Governmental Activities:		
General Government	\$ 3,327.26	\$ 3,246.97
Public Safety	5,310.32	5,310.30
Public Works	149,778.24	158,723.02
Culture and Recreation	42,140.22	46,534.86
Total Depreciation Expense - Governmental Activities	<u>\$ 200,556.04</u>	<u>\$ 213,815.15</u>

	<u>Balance 01/01/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2023</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	35,645.00			35,645.00
Total, not being Depreciated	<u>35,645.00</u>	<u>0.00</u>	<u>0.00</u>	<u>35,645.00</u>
Capital Assets, being Depreciated:				
Buildings	62,500.00			62,500.00
Improvements Other Than Buildings	2,080,036.46	34,402.58		2,114,439.04
Machinery and Equipment	209,663.95			209,663.95
Total, being Depreciated	<u>2,352,200.41</u>	<u>34,402.58</u>	<u>0.00</u>	<u>2,386,602.99</u>
Less Accumulated Depreciation for:				
Buildings	(62,402.35)	(73.24)		(62,475.59)
Improvements Other Than Buildings	(1,167,935.62)	(76,648.90)		(1,244,584.52)
Machinery and Equipment	(69,010.45)	(26,073.46)		(95,083.91)
Total Accumulated Depreciation	<u>(1,299,348.42)</u>	<u>(102,795.60)</u>	<u>0.00</u>	<u>(1,402,144.02)</u>
Total Business-Type Activities Capital Assets, being Depreciated, Net	<u>1,052,851.99</u>	<u>(68,393.02)</u>	<u>0.00</u>	<u>984,458.97</u>
Business-Type Activity Capital Assets, Net	<u>1,088,496.99</u>	<u>(68,393.02)</u>	<u>0.00</u>	<u>1,020,103.97</u>

Depreciation expense was charged to functions as follows:

	<u>2022</u>	<u>2023</u>
Business-Type Activities:		
Water	\$ 28,445.66	\$ 29,379.54
Sewer	7,400.70	7,400.67
Electric	15,383.49	14,785.54
Total Depreciation Expense - Business-Type Activities	<u>\$ 51,229.85</u>	<u>\$ 51,565.75</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the two years ended September 30, 2023 is as follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2023
Land	21,050.00			21,050.00
Construction Work in Progress	4,175.90	39,918.59		44,094.49
Buildings & Improvements	1,865,489.02	22,239.83		1,887,728.85
Machinery and Equipment	203,622.97	9,888.71	(7,159.44)	206,352.24
Accumulated Depreciation	(1,810,458.61)	(90,557.59)	7,159.44	(1,893,856.76)
TOTAL	<u>283,879.28</u>	<u>(18,510.46)</u>	<u>0.00</u>	<u>265,368.82</u>

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	1/1/2022 Beginning Balance	Additions	Deletions	12/31/2023 Ending Balance	Due Within Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue					
Bonds - Series 2021	300,000.00	0.00	79,778.82	220,221.18	46,353.56
Total Debt	<u>300,000.00</u>	<u>0.00</u>	<u>79,778.82</u>	<u>220,221.18</u>	<u>46,353.56</u>
Accrued Compensated Absences- Governmental Funds	32,013.36	35,399.23	24,784.84	42,627.75	12,000.00
Total Governmental Activities	<u>332,013.36</u>	<u>35,399.23</u>	<u>104,563.66</u>	<u>262,848.93</u>	<u>58,353.56</u>
Business-Type Activities:					
Bonds Payable:					
SRF - Clean Water Revenue Borrower Bonds - Series 2006	59,567.51		17,767.40	41,800.11	9,324.45
SRF - Drinking Water Revenue Borrower Bonds - Series 2006	69,418.18		7,672.88	61,745.30	3,982.27
SRF - Drinking Water Revenue Borrower Bonds - Series 2021	540,000.00	0.00	24,806.64	515,193.36	14,494.54
Total Debt	<u>668,985.69</u>	<u>0.00</u>	<u>50,246.92</u>	<u>618,738.77</u>	<u>27,801.26</u>
Accrued Compensated Absences- Business-Type Funds	14,482.78	11,431.40	9,908.78	16,005.40	10,000.00
Total Business-Type Activities	<u>683,468.47</u>	<u>11,431.40</u>	<u>60,155.70</u>	<u>634,744.17</u>	<u>37,801.26</u>
TOTAL PRIMARY GOVERNMENT	<u>1,015,481.83</u>	<u>46,830.63</u>	<u>164,719.36</u>	<u>897,593.10</u>	<u>96,154.82</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Debt payable at December 31, 2023 is comprised of the following:

Sales Tax Revenue Bonds, Series 2021; Interest Rate 2.00%; Maturing March 15, 2031; Paid by General Fund	\$220,221.18
State Revolving Loan Fund – Clean Water Revenue Borrower Bond, Series 2006; Interest Rate 3.250%; Maturing January 15, 2028; Paid by Sewer Fund	\$ 41,800.11
State Revolving Loan Fund – Drinking Water Revenue Borrower Bond, Series 2006; Interest Rate 2.500%; Maturing January 15, 2037; Paid by Water Fund	\$ 61,745.30
State Revolving Loan Fund – Drinking Water Revenue Borrower Bond, Series 2021; Interest Rate 1.625%; Maturing February 15, 2052; Paid by Water Fund	\$515,193.36
Compensated Absences: Accrued Vacation and Sick Leave Balances for employees paid by the following funds:	
General Fund	\$ 42,627.75
Water Fund	\$ 16,005.40

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2023, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2023

Year Ending Dec. 31,	Sales Tax Revenue Bonds, Series 2015		SRF - Clean Water Loan - Series 2006		SRF - Drinking Water Loan - Series 2021	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	46,353.56	4,146.44	9,324.45	1,245.63	14,494.54	8,283.86
2025	41,730.26	3,269.74	9,631.21	938.87	14,731.50	8,046.90
2026	42,569.04	2,430.96	9,948.06	622.02	14,972.36	7,806.04
2027	43,424.68	1,575.32	10,275.33	294.75	15,217.14	7,561.26
2028	44,297.51	702.49	2,621.06	21.46	15,465.93	7,312.47
2029-2033	1,846.13	18.46			81,206.24	32,685.76
2034-2038					88,065.20	25,826.80
2039-2043					95,503.52	18,388.48
2044-2048					103,570.06	10,321.94
2049-2053					71,966.87	2,062.93
Totals	<u>220,221.18</u>	<u>12,143.41</u>	<u>41,800.11</u>	<u>3,122.73</u>	<u>515,193.36</u>	<u>128,296.44</u>

Year Ending Dec. 31,	SRF - Drinking Water Loan - Series 2006		Totals	
	Principal	Interest	Principal	Interest
2024	3,982.27	1,506.49	74,154.82	15,182.42
2025	4,082.76	1,406.00	70,175.73	13,661.51
2026	4,185.79	1,302.97	71,675.25	12,161.99
2027	4,291.42	1,197.34	73,208.57	10,628.67
2028	4,399.72	1,089.04	66,784.22	9,125.46
2029-2033	23,721.12	3,722.68	106,773.49	36,426.90
2034-2038	17,082.22	756.25	105,147.42	26,583.05
2039-2043			95,503.52	18,388.48
2044-2048			103,570.06	10,321.94
2049-2053			71,966.87	2,062.93
Totals	<u>61,745.30</u>	<u>10,980.77</u>	<u>838,959.95</u>	<u>154,543.35</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. LONG-TERM COMMITMENT

In 2000, the Municipality of Burke entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$2,100.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

The following are the minimum payments on this commitment:

2024	\$	25,200.00
2025	\$	25,200.00
2026	\$	25,200.00
2027	\$	25,200.00
2028	\$	25,200.00
2029-2033	\$	126,000.00
2034-2035	\$	50,400.00

11. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2022 and 2023 were as follows:

Major Purposes:	<u>12/31/2022</u>	<u>12/31/2023</u>
Equipment Repair and/or Replacement	\$ 157,617.51	\$ 157,617.51
SDRS Pension Purposes	37,659.69	29,322.84
Total Restricted Net Position	<u>\$ 195,277.20</u>	<u>\$ 186,940.35</u>

These balances are restricted due to federal grant and statutory requirements.

12. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u>
	General
	Fund
Water Fund	30,000.00
Sewer Fund	175,000.00
Electric Fund	220,000.00
TOTAL	<u>425,000.00</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

<u>Transfers From:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
General Fund		90,766.00	90,766.00
Water	126,000.00		126,000.00
Sewer Fund	126,000.00		126,000.00
Electric Fund	200,000.00		200,000.00
TOTAL	<u>452,000.00</u>	<u>90,766.00</u>	<u>542,766.00</u>

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

13. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has four 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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021 were \$16,595.80, \$15,253.68, and \$14,094.73, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.1% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 1,502,105.20
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,503,116.98</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,011.78)</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

At December 31, 2023, the Municipality reported a liability (asset) of \$(1,011.78) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.01036600%, which is an increase (decrease) of 0.0001790% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of expense) of \$8,336.86. At December 31, 2023 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 28,679.06	
Changes in assumption.	\$ 34,590.94	\$ 50,564.25
Net difference between projected and actual earnings on pension plan investments.	\$ 6,736.00	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,827.84	\$ 1,272.20
Municipality contributions subsequent to the measurement date.	<u>\$ 8,313.67</u>	
TOTAL	<u>\$ 80,147.51</u>	<u>\$ 51,836.45</u>

\$8,313.67 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2024	\$ 15,095.74
2025	(15,818.12)
2026	19,329.51
2027	<u>1,390.26</u>
TOTAL	<u>\$ 19,997.39</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

At June 30, 2022, SDRS is 100.1% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 1,438,060.00
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,439,022.73</u>
Proportionate share of net pension liability (asset)	<u>\$ (962.73)</u>

At December 31, 2022, the Municipality reported a liability (asset) of (\$962.73) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.01018700%, which is an increase (decrease) of 0.0008890% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of expense) of (\$1,293.94). At December 31, 2022 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 18,326.40	\$ 62.50
Changes in assumption.	\$ 61,188.52	\$ 53,623.56
Net difference between projected and actual earnings on pension plan investments.		\$ 2,307.17
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 7,017.35	\$ 1,601.75
Municipality contributions subsequent to the measurement date.	<u>\$ 7,759.67</u>	
TOTAL	<u>\$ 94,291.94</u>	<u>\$ 57,594.98</u>

\$7,759.67 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended December 31:	
2023	\$ 10,855.04
2024	14,786.58
2025	(15,624.43)
2026	18,920.10
TOTAL	<u>\$ 28,937.29</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10% in 2022 1.91% in 2023

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

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.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

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

Best estimates of real rates for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	

Discount Rate:

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

At December 31, 2023, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 207,376.91	\$(1,011.78)	\$(171,433.95)

At December 31, 2022, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 199,903.15	\$(962.73)	\$(165,123.24)

Pension Plan Fiduciary Net Position:

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

14. SIGNIFICANT CONTINGENCIES - LITIGATION

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

15. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality 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 resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium to the pool to provide worker's compensation coverage for its employees, under a retrospectively rated policy 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 an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through December 30, 2024, the date on which the financial statements were available to be issued.

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	187,267.00	187,267.00	180,474.75	(6,792.25)
General Sales and Use Taxes	380,000.00	380,000.00	343,470.86	(36,529.14)
Amusement Taxes	120.00	120.00	0.00	(120.00)
Penalties & Interest on Delinquent Taxes	500.00	500.00	700.30	200.30
Licenses and Permits	1,650.00	1,650.00	1,963.00	313.00
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	3,000.00	3,000.00	3,103.49	103.49
State Shared Revenue:				
Bank Franchise Tax	3,500.00	3,500.00	3,621.86	121.86
Prorate License Fees	1,500.00	1,500.00	2,158.03	658.03
Liquor Tax Reversion	4,000.00	4,000.00	3,952.38	(47.62)
Motor Vehicle Licenses	8,000.00	8,000.00	8,790.89	790.89
Local Government Highway and Bridge Fund	33,000.00	33,000.00	33,788.40	788.40
County Shared Revenue:				
County Road Tax	3,000.00	3,000.00	3,000.92	0.92
Charges for Goods and Services:				
Culture and Recreation	1,000.00	1,000.00	2,515.00	1,515.00
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	28,608.10	18,608.10
Rentals	4,800.00	4,800.00	5,550.00	750.00
Special Assessments	3,470.00	3,470.00	2,799.88	(670.12)
Contributions and Donations from Private Sources	15,100.00	15,100.00	141,333.30	126,233.30
Liquor Operating Agreement Income	11,000.00	11,000.00	5,100.00	(5,900.00)
Other	16,000.00	16,000.00	9,423.80	(6,576.20)
Total Revenue	686,907.00	686,907.00	780,354.96	93,447.96
Expenditures:				
General Government:				
Legislative	4,200.00	4,200.00	3,314.87	885.13
Executive	21,280.00	21,280.00	16,610.68	4,669.32
Elections	650.00	650.00	592.27	57.73
Financial Administration	112,635.00	123,635.00	117,687.71	5,947.29
Other	208,226.00	213,226.00	111,943.50	101,282.50
Total General Government	346,991.00	362,991.00	250,149.03	112,841.97

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Safety:				
Police	115,170.00	115,170.00	94,476.67	20,693.33
Fire	12,750.00	12,750.00	10,948.69	1,801.31
Total Public Safety	127,920.00	127,920.00	105,425.36	22,494.64
Public Works:				
Highways and Streets	760,242.00	760,242.00	689,851.18	70,390.82
Total Public Works	760,242.00	760,242.00	689,851.18	70,390.82
Health and Welfare:				
Health	7,000.00	7,000.00	3,961.12	3,038.88
Total Health and Welfare	7,000.00	7,000.00	3,961.12	3,038.88
Culture and Recreation:				
Recreation	6,200.00	6,200.00	3,770.02	2,429.98
Parks	221,300.00	221,300.00	125,744.80	95,555.20
Libraries	32,526.00	37,526.00	33,487.55	4,038.45
Auditorium/Civic Center	37,250.00	64,250.00	60,972.23	3,277.77
Total Culture and Recreation	297,276.00	329,276.00	223,974.60	105,301.40
Conservation and Development:				
Economic Development and Assistance	101,214.00	181,214.00	186,757.75	(5,543.75)
Total Conservation and Development	101,214.00	181,214.00	186,757.75	(5,543.75)
Debt Service	45,000.00	45,000.00	45,000.00	0.00
Total Expenditures	1,685,643.00	1,813,643.00	1,505,119.04	308,523.96
Excess of Revenue Over (Under) Expenditures	(998,736.00)	(1,126,736.00)	(724,764.08)	401,971.92
Other Financing Sources (Uses):				
Transfers In	309,000.00	309,000.00	425,000.00	116,000.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	1,927.15	1,927.15
Transfers Out	(131,000.00)	(131,000.00)	0.00	131,000.00
Total Other Financing Sources (Uses)	178,000.00	178,000.00	426,927.15	248,927.15
Net Change in Fund Balances	(820,736.00)	(948,736.00)	(297,836.93)	650,899.07
Fund Balance - Beginning	1,601,900.79	1,601,900.79	1,601,900.79	0.00
FUND BALANCE - ENDING	781,164.79	653,164.79	1,304,063.86	650,899.07

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	177,182.00	177,182.00	178,645.21	1,463.21
General Sales and Use Taxes	330,000.00	330,000.00	387,346.66	57,346.66
Amusement Taxes	120.00	120.00	0.00	(120.00)
Penalties & Interest on Delinquent Taxes	500.00	500.00	2,592.18	2,092.18
Licenses and Permits	1,550.00	1,550.00	1,582.50	32.50
Intergovernmental Revenue:				
Federal Grants	99,000.00	99,000.00	105,975.72	6,975.72
Federal Payments in Lieu of Taxes	3,000.00	3,000.00	0.00	(3,000.00)
State Grants	75,000.00	75,000.00	73,735.25	(1,264.75)
State Shared Revenue:				
Bank Franchise Tax	3,500.00	3,500.00	2,506.32	(993.68)
Prorate License Fees	1,500.00	1,500.00	2,093.34	593.34
Liquor Tax Reversion	3,500.00	3,500.00	4,029.15	529.15
Motor Vehicle Licenses	8,000.00	8,000.00	8,445.61	445.61
Local Government Highway and Bridge Fund	32,000.00	32,000.00	32,860.24	860.24
County Shared Revenue:				
County Road & Bridge Tax	3,000.00	3,000.00	3,000.92	0.92
Other Intergovernmental Revenues	0.00	0.00	2,944.18	2,944.18
Charges for Goods and Services:				
Culture and Recreation	1,000.00	1,000.00	3,620.00	2,620.00
Miscellaneous Revenue:				
Investment Earnings	10,200.00	10,200.00	10,500.37	300.37
Rentals	4,600.00	4,600.00	6,582.49	1,982.49
Special Assessments	9,238.00	9,238.00	3,490.14	(5,747.86)
Contributions and Donations from Private Sources	5,100.00	5,100.00	221,098.93	215,998.93
Liquor Operating Agreement Income	9,450.00	9,450.00	9,450.00	0.00
Other	13,000.00	13,000.00	41,543.29	28,543.29
Total Revenue	790,440.00	790,440.00	1,102,042.50	311,602.50
Expenditures:				
General Government:				
Legislative	5,000.00	5,000.00	2,679.44	2,320.56
Executive	24,680.00	24,680.00	16,397.46	8,282.54
Elections	575.00	575.00	0.00	575.00
Financial Administration	106,866.00	114,866.00	101,699.72	13,166.28
Other	118,162.00	118,162.00	106,307.24	11,854.76
Total General Government	255,283.00	263,283.00	227,083.86	36,199.14

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Safety:				
Police	111,980.00	111,980.00	88,625.00	23,355.00
Fire	12,250.00	12,250.00	10,772.86	1,477.14
Total Public Safety	<u>124,230.00</u>	<u>124,230.00</u>	<u>99,397.86</u>	<u>24,832.14</u>
Public Works:				
Highways and Streets	569,111.00	569,111.00	289,390.71	279,720.29
Total Public Works	<u>569,111.00</u>	<u>569,111.00</u>	<u>289,390.71</u>	<u>279,720.29</u>
Health and Welfare:				
Health	10,000.00	10,000.00	4,310.80	5,689.20
Total Health and Welfare	<u>10,000.00</u>	<u>10,000.00</u>	<u>4,310.80</u>	<u>5,689.20</u>
Culture and Recreation:				
Recreation	3,050.00	41,050.00	40,972.93	77.07
Parks	150,050.00	415,050.00	412,792.74	2,257.26
Libraries	31,669.00	31,669.00	19,335.08	12,333.92
Auditorium/Civic Center	36,250.00	41,250.00	40,641.88	608.12
Total Culture and Recreation	<u>221,019.00</u>	<u>529,019.00</u>	<u>513,742.63</u>	<u>15,276.37</u>
Conservation and Development:				
Economic Development and Assistance	61,195.00	61,195.00	38,838.85	22,356.15
Total Conservation and Development	<u>61,195.00</u>	<u>61,195.00</u>	<u>38,838.85</u>	<u>22,356.15</u>
Debt Service	<u>45,000.00</u>	<u>45,000.00</u>	<u>45,000.00</u>	<u>0.00</u>
Total Expenditures	<u>1,285,838.00</u>	<u>1,601,838.00</u>	<u>1,217,764.71</u>	<u>384,073.29</u>
Excess of Revenue Over (Under) Expenditures	<u>(495,398.00)</u>	<u>(811,398.00)</u>	<u>(115,722.21)</u>	<u>695,675.79</u>
Other Financing Sources (Uses):				
Transfers In	225,599.00	225,599.00	452,000.00	226,401.00
Sale of Municipal Property	0.00	0.00	6,501.00	6,501.00
Transfers Out	(50,000.00)	(91,000.00)	(90,766.00)	234.00
Total Other Financing Sources (Uses)	<u>175,599.00</u>	<u>134,599.00</u>	<u>367,735.00</u>	<u>233,136.00</u>
Net Change in Fund Balances	<u>(319,799.00)</u>	<u>(676,799.00)</u>	<u>252,012.79</u>	<u>928,811.79</u>
Fund Balance - Beginning	<u>1,349,888.00</u>	<u>1,349,888.00</u>	<u>1,349,888.00</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>1,030,089.00</u>	<u>673,089.00</u>	<u>1,601,900.79</u>	<u>928,811.79</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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

The Municipality did not encumber any amounts at December 31, 2022 or 2023.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP 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 Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Nine Years *

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.0103660%	(1,011.78)	251,051.31	0.39%	100.10%
2022	0.0101870%	(962.73)	228,330.95	0.42%	100.10%
2021	0.0092980%	(71,206.77)	201,866.48	35.27%	105.52%
2020	-0.0003041%	13.21	174,429.62	-0.01%	100.04%
2019	0.0106808%	(1,131.87)	210,323.63	0.54%	100.09%
2018	0.0101496%	(236.71)	196,607.81	0.12%	100.02%
2017	0.0098378%	(892.79)	186,450.95	0.48%	100.10%
2016	0.0078848%	26,634.08	147,840.45	18.02%	96.89%
2015	0.0075240%	(31,911.43)	137,371.39	23.23%	104.10%

* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Nine Years *

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2023	16,595.80	16,595.80	\$ -	259,869.14	6.39%
2022	15,253.68	15,253.68	\$ -	238,265.33	6.40%
2021	14,094.73	14,094.73	\$ -	221,295.89	6.37%
2020	10,743.13	10,743.13	\$ -	176,601.69	6.08%
2019	12,124.70	12,124.70	\$ -	193,097.70	6.28%
2018	13,391.81	13,391.81	\$ -	208,281.42	6.43%
2017	12,258.42	12,258.42	\$ -	190,402.60	6.44%
2016	10,666.80	10,666.80	\$ -	169,109.52	6.31%
2015	8,401.09	8,401.09	\$ -	140,015.86	6.00%

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

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

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