

**MUNICIPALITY OF EMERY
EMERY, 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 EMERY

MUNICIPAL OFFICIALS
DECEMBER 31, 2023

MAYOR:

Andy Erickson

GOVERNING BOARD:

Clarissa Weber, President
Kenny Kayser, Vice-President
Brad Bartscher
Ross Bartscher
Paul Nelson
Ryan Storm

FINANCE OFFICER:

Kristi Wollmann

ATTORNEY:

Mike Fink

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 Emery
Emery, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Emery, 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 March 27, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Responses to Findings

Government Auditing Standards requires that 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
March 27, 2025

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

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 a similar comment is restated as current audit finding number 2023-001.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2023-001:Condition:

A material weakness was noted in internal controls was noted due to a lack of proper segregation of duties for the revenues. This is a continuing audit comment since 2010.

Criteria:

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 processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares 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.

Recommendations:

1. We recommend that the municipal officials be cognizant of the 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 Emery Mayor, Andy Erickson, is the contact person responsible for the response for this comment. This comment is due to the expertise of staff and the size of the Municipality of Emery 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 to provide compensating controls.

CLOSING CONFERENCE

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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Emery
Emery, South Dakota

Report on the Financial StatementsOpinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Emery, 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 modified cash basis of accounting 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 Emery as of December 31, 2023 and December 31, 2022, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of the Municipality Contributions, and the Schedule of Long-Term Liabilities presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net

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Pension Liability (Asset), the Schedule of the Municipality Contributions, and Schedule of Long-Term Liabilities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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 March 27, 2025 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
March 27, 2025

Schoenfish & Co., Inc.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	375,974.14	597,339.14	973,313.28
Investments	27,832.45		27,832.45
TOTAL ASSETS	<u>403,806.59</u>	<u>597,339.14</u>	<u>1,001,145.73</u>
NET POSITION:			
Restricted for:			
Bond Debt Service		317,420.72	317,420.72
Equipment Repair and/or Replacement		55,033.09	55,033.09
Unrestricted	403,806.59	224,885.33	628,691.92
TOTAL NET POSITION	<u>403,806.59</u>	<u>597,339.14</u>	<u>1,001,145.73</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government						
Public Safety	95,542.09	4,355.00			(91,187.09)	(91,187.09)
Public Works	25,440.00	260.00	1,300.00		(23,880.00)	(23,880.00)
Culture and Recreation	404,310.86	73,958.64	28,226.92	47,433.25	(254,692.05)	(254,692.05)
Conservation and Development	121,790.21	23,452.86		6,530.00	(91,807.35)	(91,807.35)
	761.00				(761.00)	(761.00)
Total Governmental Activities	647,844.16	102,026.50	29,526.92	53,963.25	(462,327.49)	(462,327.49)
Business-type Activities:						
Water	340,005.16	133,985.62				(206,019.54)
Sewer	103,109.53	138,609.38				35,499.85
Daycare	227,740.55	211,508.75				(16,231.80)
Total Business-Type Activities	670,855.24	484,103.75	0.00	0.00	(186,751.49)	(186,751.49)
Total Primary Government	1,318,699.40	586,130.25	29,526.92	53,963.25	(462,327.49)	(649,078.98)
General Revenues:						
Taxes:						
Property Taxes					157,365.95	157,365.95
Sales Taxes					210,001.94	210,001.94
State Shared Revenues					4,452.39	4,452.39
Unrestricted Investment Earnings					6,484.36	6,484.36
Debt Issued					92,800.00	162,800.00
Miscellaneous Revenue					19,674.87	19,674.87
Total General Revenues and Transfers					490,779.51	560,779.51
Change in Net Position					28,452.02	(88,299.47)
Net Position - Beginning					375,354.57	714,090.63
NET POSITION - ENDING					403,806.59	1,001,145.73

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

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

	<u>General Fund</u>	<u>Storm Sewer Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	375,974.14		375,974.14
Investments	27,832.45		27,832.45
Due from Storm Sewer Projects Fund	18,541.00		18,541.00
TOTAL ASSETS	<u>422,347.59</u>	<u>0.00</u>	<u>422,347.59</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to General Fund		18,541.00	18,541.00
Total Liabilities	<u>0.00</u>	<u>18,541.00</u>	<u>18,541.00</u>
FUND BALANCES:			
Unassigned	422,347.59	(18,541.00)	403,806.59
Total Fund Balances	<u>422,347.59</u>	<u>(18,541.00)</u>	<u>403,806.59</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>422,347.59</u>	<u>0.00</u>	<u>422,347.59</u>

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

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

	General Fund	Pool Capital Projects Fund	Storm Sewer Projects Fund	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes	157,142.46			157,142.46
General Sales and Use Taxes	210,001.94			210,001.94
Penalties & Interest on Delinquent Taxes	223.49			223.49
Total Taxes	367,367.89	0.00	0.00	367,367.89
Licenses and Permits	2,630.00	0.00	0.00	2,630.00
Intergovernmental Revenue:				
Federal Grants	6,915.65			6,915.65
State Grants	41,817.60			41,817.60
State Shared Revenue:				
Bank Franchise Tax	1,125.52			1,125.52
Prorate License Fees	2,712.10			2,712.10
Liquor Tax Reversion	3,326.87			3,326.87
Motor Vehicle Licenses	16,355.75			16,355.75
Local Government Highway and Bridge Fund	8,136.55			8,136.55
County Shared Revenue:				
County Road Tax	1,022.52			1,022.52
Total Intergovernmental Revenue	81,412.56	0.00	0.00	81,412.56
Charges for Goods and Services:				
Sanitation	73,958.64			73,958.64
Culture and Recreation	23,452.86			23,452.86
Total Charges for Goods and Services	97,411.50	0.00	0.00	97,411.50
Fines and Forfeits:				
Court Fines and Costs	260.00			260.00
Total Fines and Forfeits	260.00	0.00	0.00	260.00
Miscellaneous Revenue:				
Investment Earnings	6,484.36			6,484.36
Rentals	1,725.00			1,725.00
Contributions and Donations from Private Sources	6,530.00			6,530.00
Other	5,574.87			5,574.87
Total Miscellaneous Revenue	20,314.23	0.00	0.00	20,314.23
Total Revenue	569,396.18	0.00	0.00	569,396.18
Expenditures:				
General Government:				
Legislative	23,922.83			23,922.83
Elections	14.81			14.81
Financial Administration	52,491.22			52,491.22
Other	19,113.23			19,113.23
Total General Government	95,542.09	0.00	0.00	95,542.09

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

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

	General Fund	Pool Capital Projects Fund	Storm Sewer Projects Fund	Total Governmental Funds
Expenditures: (continued)				
Public Safety:				
Police	24,500.00			24,500.00
Fire	940.00			940.00
Total Public Safety	25,440.00	0.00	0.00	25,440.00
Public Works:				
Highways and Streets	299,454.12		33,341.00	332,795.12
Sanitation	70,738.74			70,738.74
Total Public Works	370,192.86	0.00	33,341.00	403,533.86
Culture and Recreation:				
Recreation	57,869.04			57,869.04
Parks	35,983.76			35,983.76
Auditorium	27,937.41			27,937.41
Total Culture and Recreation	121,790.21	0.00	0.00	121,790.21
Conservation and Development:				
Economic Development and Assistance	761.00			761.00
Total Conservation and Development	761.00	0.00	0.00	761.00
Debt Service	777.00	0.00	0.00	777.00
Total Expenditures	614,503.16	0.00	33,341.00	647,844.16
Excess of Revenue Over (Under)				
Expenditures	(45,106.98)	0.00	(33,341.00)	(78,447.98)
Other Financing Sources (Uses):				
Transfers In	9,692.35			9,692.35
Transfers Out	(9,692.35)			(9,692.35)
Sale of Municipal Property	14,100.00			14,100.00
Long-Term Debt Issued	78,000.00		14,800.00	92,800.00
Total Other Financing Sources (Uses)	101,792.35	(9,692.35)	14,800.00	106,900.00
Net Change in Fund Balance	56,685.37	(9,692.35)	(18,541.00)	28,452.02
Fund Balance - Beginning	365,662.22	9,692.35	0.00	375,354.57
FUND BALANCE - ENDING	422,347.59	0.00	(18,541.00)	403,806.59

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Daycare Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	175,803.97	382,047.47	39,487.70	597,339.14
Total Current Assets	<u>175,803.97</u>	<u>382,047.47</u>	<u>39,487.70</u>	<u>597,339.14</u>
TOTAL ASSETS	<u>175,803.97</u>	<u>382,047.47</u>	<u>39,487.70</u>	<u>597,339.14</u>
NET POSITION:				
Restricted for:				
Revenue Bond Debt Service	89,604.88	227,815.84		317,420.72
Equipment Repair and/or Replacement	55,033.09			55,033.09
Unrestricted	31,166.00	154,231.63	39,487.70	224,885.33
TOTAL NET POSITION	<u>175,803.97</u>	<u>382,047.47</u>	<u>39,487.70</u>	<u>597,339.14</u>

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Daycare Fund	Totals
Operating Revenue:				
Charges for Goods and Services	101,407.24	69,527.85	211,508.75	382,443.84
Surcharge as a Security for Debt	32,578.38	69,081.53		101,659.91
Total Operating Revenue	133,985.62	138,609.38	211,508.75	484,103.75
Operating Expenses:				
Personal Services	25,624.73	21,805.61	191,714.59	239,144.93
Other Current Expense	13,440.20	11,008.20	32,178.93	56,627.33
Materials	72,500.20			72,500.20
Capital Assets	184,703.71		1,290.67	185,994.38
Total Operating Expenses	296,268.84	32,813.81	225,184.19	554,266.84
Operating Income (Loss)	(162,283.22)	105,795.57	(13,675.44)	(70,163.09)
Nonoperating Revenue (Expense):				
Debt Service (Principal)	(21,098.11)	(34,152.46)	(1,815.24)	(57,065.81)
Debt Service (Interest)	(22,638.21)	(36,143.26)	(741.12)	(59,522.59)
Long-Term Debt Issued	70,000.00			70,000.00
Total Nonoperating Revenue (Expense)	26,263.68	(70,295.72)	(2,556.36)	(46,588.40)
Change in Net Position	(136,019.54)	35,499.85	(16,231.80)	(116,751.49)
Net Position - Beginning	311,823.51	346,547.62	55,719.50	714,090.63
NET POSITION - ENDING	175,803.97	382,047.47	39,487.70	597,339.14

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

MUNICIPALITY OF EMERY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	347,863.52	714,090.63	1,061,954.15
Investments	27,491.05		27,491.05
TOTAL ASSETS	375,354.57	714,090.63	1,089,445.20
NET POSITION:			
Restricted for:			
Capital Projects Purposes	9,692.35		9,692.35
Bond Debt Service		291,076.85	291,076.85
Equipment Repair and/or Replacement		90,270.40	90,270.40
Unrestricted	365,662.22	332,743.38	698,405.60
TOTAL NET POSITION	375,354.57	714,090.63	1,089,445.20

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

MUNICIPALITY OF EMERY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	86,539.50	3,635.00			(82,904.50)	(82,904.50)
Public Safety	22,565.00				(22,565.00)	(22,565.00)
Public Works	150,674.39		27,430.55	22,116.71	(101,127.13)	(101,127.13)
Health and Welfare	458.50		1,485.00		1,026.50	1,026.50
Culture and Recreation	77,278.95	22,171.85		1,941.58	(53,165.52)	(53,165.52)
Conservation and Development	977.51				(977.51)	(977.51)
Total Governmental Activities	338,493.85	25,806.85	28,915.55	24,058.29	(259,713.16)	(259,713.16)
Business-type Activities:						
Water	127,548.45	125,924.51	41,236.12		39,612.18	39,612.18
Sewer	157,219.73	136,074.19			(21,145.54)	(21,145.54)
Solid Waste	75,787.48	68,834.93			(6,952.55)	(6,952.55)
Daycare	339,947.76	233,542.26	141,618.83		35,213.33	35,213.33
Total Business-Type Activities	700,503.42	564,375.89	182,854.95	0.00	46,727.42	46,727.42
Total Primary Government	1,038,997.27	590,182.74	211,770.50	24,058.29	(259,713.16)	(212,985.74)
General Revenues:						
Taxes:						
		Property Taxes			152,380.68	152,380.68
		Sales Taxes			193,527.32	193,527.32
		State Shared Revenues			3,984.33	3,984.33
		Unrestricted Investment Earnings			841.00	841.00
		Miscellaneous Revenue			27,580.81	48,086.98
		Transfers			52,454.40	0.00
		Total General Revenues			430,768.54	398,820.31
		Change in Net Position			171,055.38	185,834.57
		Net Position - Beginning			204,299.19	903,610.63
		NET POSITION - ENDING			375,354.57	1,089,445.20

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

MUNICIPALITY OF EMERY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2022

	<u>General Fund</u>	<u>Pool Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	338,171.17	9,692.35	347,863.52
Investments	<u>27,491.05</u>	<u> </u>	<u>27,491.05</u>
TOTAL ASSETS	<u><u>365,662.22</u></u>	<u><u>9,692.35</u></u>	<u><u>375,354.57</u></u>
FUND BALANCES:			
Restricted for Capital Projects Purposes		9,692.35	9,692.35
Unassigned	<u>365,662.22</u>	<u> </u>	<u>365,662.22</u>
TOTAL FUND BALANCES	<u><u>365,662.22</u></u>	<u><u>9,692.35</u></u>	<u><u>375,354.57</u></u>

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

MUNICIPALITY OF EMERY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund	Pool Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	151,705.78		151,705.78
General Sales and Use Taxes	193,527.32		193,527.32
Penalties & Interest on Delinquent Taxes	674.90		674.90
Total Taxes	345,908.00	0.00	345,908.00
Licenses and Permits	2,610.00	0.00	2,610.00
Intergovernmental Revenue:			
Federal Grants	19,514.74		19,514.74
State Grants	4,086.97		4,086.97
State Shared Revenue:			
Bank Franchise Tax	592.83		592.83
Prorate License Fees	3,077.72		3,077.72
Liquor Tax Reversion	3,391.50		3,391.50
Motor Vehicle Licenses	15,417.27		15,417.27
Local Government Highway and Bridge Fund	7,913.04		7,913.04
County Shared Revenue:			
County Road Tax	1,022.52		1,022.52
Total Intergovernmental Revenue	55,016.59	0.00	55,016.59
Charges for Goods and Services:			
Culture and Recreation	22,171.85		22,171.85
Total Charges for Goods and Services	22,171.85	0.00	22,171.85
Miscellaneous Revenue:			
Investment Earnings	841.00		841.00
Rentals	1,025.00		1,025.00
Contributions and Donations from Private Sources	1,941.58		1,941.58
Other	5,413.98		5,413.98
Total Miscellaneous Revenue	9,221.56	0.00	9,221.56
Total Revenue	434,928.00	0.00	434,928.00
Expenditures:			
General Government:			
Legislative	22,008.47		22,008.47
Elections	643.47		643.47
Financial Administration	50,908.35		50,908.35
Other	12,979.21		12,979.21
Total General Government	86,539.50	0.00	86,539.50

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

MUNICIPALITY OF EMERY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Pool Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Expenditures: (continued)			
Public Safety:			
Police	22,500.00		22,500.00
Fire	65.00		65.00
Total Public Safety	<u>22,565.00</u>	<u>0.00</u>	<u>22,565.00</u>
Public Works:			
Highways and Streets	150,674.39		150,674.39
Total Public Works	<u>150,674.39</u>	<u>0.00</u>	<u>150,674.39</u>
Health and Welfare:			
Health	458.50		458.50
Total Health and Welfare	<u>458.50</u>	<u>0.00</u>	<u>458.50</u>
Culture and Recreation:			
Recreation	47,404.06		47,404.06
Parks	23,895.45		23,895.45
Auditorium	5,979.44		5,979.44
Total Culture and Recreation	<u>77,278.95</u>	<u>0.00</u>	<u>77,278.95</u>
Conservation and Development:			
Economic Development and Assistance	977.51		977.51
Total Conservation and Development	<u>977.51</u>	<u>0.00</u>	<u>977.51</u>
Total Expenditures	<u>338,493.85</u>	<u>0.00</u>	<u>338,493.85</u>
Other Financing Sources (Uses):			
Transfers In	92,779.81		92,779.81
Transfers Out	(40,325.41)		(40,325.41)
Sale of Municipal Property	4,092.00		4,092.00
Compensation for Loss or Damage to Capital Assets	18,074.83		18,074.83
Total Other Financing Sources (Uses)	<u>74,621.23</u>	<u>0.00</u>	<u>74,621.23</u>
Net Change in Fund Balance	<u>171,055.38</u>	<u>0.00</u>	<u>171,055.38</u>
Fund Balance - Beginning	<u>194,606.84</u>	<u>9,692.35</u>	<u>204,299.19</u>
FUND BALANCE - ENDING	<u><u>365,662.22</u></u>	<u><u>9,692.35</u></u>	<u><u>375,354.57</u></u>

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

MUNICIPALITY OF EMERY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Daycare Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	311,823.51	346,547.62	55,719.50	714,090.63
Total Current Assets	<u>311,823.51</u>	<u>346,547.62</u>	<u>55,719.50</u>	<u>714,090.63</u>
TOTAL ASSETS	<u><u>311,823.51</u></u>	<u><u>346,547.62</u></u>	<u><u>55,719.50</u></u>	<u><u>714,090.63</u></u>
NET POSITION:				
Restricted for:				
Revenue Bond Debt Service	80,718.82	210,358.03		291,076.85
Equipment Repair and/or Replacement	90,270.40			90,270.40
Unrestricted	<u>140,834.29</u>	<u>136,189.59</u>	<u>55,719.50</u>	<u>332,743.38</u>
TOTAL NET POSITION	<u><u>311,823.51</u></u>	<u><u>346,547.62</u></u>	<u><u>55,719.50</u></u>	<u><u>714,090.63</u></u>

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

MUNICIPALITY OF EMERY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Daycare Fund	Totals
Operating Revenue:					
Charges for Goods and Services	97,363.01	68,097.42	68,834.93	233,542.26	467,837.62
Surcharge as a Security for Debt	28,561.50	67,976.77			96,538.27
Total Operating Revenue	125,924.51	136,074.19	68,834.93	233,542.26	564,375.89
Operating Expenses:					
Personal Services	22,310.20	18,876.30	7,135.81	219,335.08	267,657.39
Other Current Expense	7,888.63	16,547.71	64,487.67	37,129.54	126,053.55
Materials	53,613.30				53,613.30
Total Operating Expenses	83,812.13	35,424.01	71,623.48	256,464.62	447,324.24
Operating Income (Loss)	42,112.38	100,650.18	(2,788.55)	(22,922.36)	117,051.65
Nonoperating Revenue (Expense):					
Capital Assets		(51,500.00)	(4,164.00)	(47,727.28)	(103,391.28)
Operating Grants	41,236.12			141,618.83	182,854.95
Debt Service (Principal)	(20,771.30)	(33,022.41)		(34,175.84)	(87,969.55)
Debt Service (Interest)	(22,965.02)	(37,273.31)		(1,580.02)	(61,818.35)
Compensation for Loss to Capital Assets				20,506.17	20,506.17
Total Nonoperating Revenue (Expense)	(2,500.20)	(121,795.72)	(4,164.00)	78,641.86	(49,818.06)
Income (Loss) Before Transfers	39,612.18	(21,145.54)	(6,952.55)	55,719.50	67,233.59
Transfers In	40,325.41	50,000.00			90,325.41
Transfers Out			(142,779.81)		(142,779.81)
Change in Net Position	79,937.59	28,854.46	(149,732.36)	55,719.50	14,779.19
Net Position - Beginning	231,885.92	317,693.16	149,732.36	0.00	699,311.44
NET POSITION - ENDING	311,823.51	346,547.62	0.00	55,719.50	714,090.63

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets 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.

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 statement types 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 if it meets the following criteria:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

Capital Projects Fund – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments)

Pool Capital Projects Fund – to account for financial resources to be used for the reconstruction of the municipal swimming pool. This is a major fund. This fund was closed during 2023.

Storm Sewer Projects Fund – to account for financial resources to be used for the storm sewer construction projects. This is a major fund. This fund was new during 2023.

Proprietary Funds:

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

Solid Waste Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the municipality. (SDCL 9-32-11 and 34A-6) This is a major fund. This fund was closed during 2022.

Daycare Fund – financed primarily by user charges, this fund accounts for the operation of a municipal daycare facility. 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.

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

Measurement Focus:

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

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

- b. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

f. Capital Assets:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

g. Long-Term Liabilities:

Long-term liabilities may include, but are not limited to, Rural Development Loans, Revenue Bonds, and Direct Borrowing Notes Payable.

As discussed in Note 1.c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Liabilities.

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

h. Revenue Received in Advance:

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

i. Program Revenues:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

j. 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 as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components.

1. Restricted Net Position – Consists of net position with constraints places 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.
2. Unrestricted Net Position – All other net position that do not meet the definition of "Restricted Net Position."

Fund Financial Statements:

Governmental fund equity is classified as fund balance and is distinguished between Nonspendable, Restricted, Committed, Assigned, or 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:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

Deposits are reported at cost plus interest, if the account is of the add-on type.

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

As of December 31, 2023 and 2022, 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.

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

3. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The 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.

4. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2023 and 2022 was as follows:

	<u>Year Ended 12/31/2023</u>	<u>Year Ended 12/31/2022</u>
Major Purposes:		
Capital Projects		9,692.35
Debt Service		
Water Fund	89,604.88	80,718.82
Sewer Fund	227,815.84	210,358.03
Equipment Repair/Replacement		
Water Fund	55,033.09	90,270.40
Sewer Fund		
Totals	<u>\$ 372,453.81</u>	<u>\$ 391,039.60</u>

These balances are restricted due to statutory requirements.

5. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2023 were:

	<u>Year Ended 12/31/2023</u>	
<u>Fund:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 18,541.00	
Storm Sewer Fund		\$ 18,541.00

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

6. INTERFUND TRANSFERS

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

	<u>Transfers To:</u>
<u>Transfers From:</u>	<u>General Fund</u>
Major Funds:	
Pool Capital Projects	9,692.35
Total	<u>\$ 9,692.35</u>

This transfer was used to close the Pool Capital Projects Fund.

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

	<u>Transfers To:</u>		
<u>Transfers From:</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Major Funds:			
General Fund		40,325.41	
Solid Waste Fund	92,779.81		50,000.00
Total	<u>\$ 92,779.81</u>	<u>\$ 40,325.41</u>	<u>\$ 50,000.00</u>

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

7. PENSION PLAN:

Plan Information:

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

Benefits Provided:

SDRS has four 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members 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 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 fiscal years ended December 31, 2023, 2022,

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

and 2021, were \$12,861.02, \$15,761.72, and \$17,184.71, 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 a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 1,294,163.76
Less proportionate share of total pension liability	<u>\$ 1,295,035.47</u>
Proportionate share of net pension liability (asset)	<u>\$ (871.71)</u>

The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.00893100%, which is an increase (decrease) of (0.0034260%) from its proportion measured as of June 30, 2022.

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

Proportionate share of net position restricted for pension benefits	\$ 1,744,390.64
Less proportionate share of total pension liability	<u>\$ 1,745,558.45</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,167.81)</u>

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 0.01235700%, which is an increase of 0.0003650% from its proportion measured as of June 30, 2021.

Actuarial Assumptions:

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

Inflation	2.50 percent
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See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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.

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

<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%	2.70%

Discount Rate:

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

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

The following presents the Municipality's proportionate share of net pension liability (asset) as of December 31, 2023 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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 178,669.03	\$(871.71)	\$(147,701.78)

The following presents the Municipality's proportionate share of net pension liability (asset) as of December 31, 2022 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)	\$ 242,485.84	\$(1,167.81)	\$(200,297.23)

Pension Plan Fiduciary Net Position:

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

10. SIGNIFICANT CONTINGENCIES - LITIGATION

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

11. RISK MANAGEMENT

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

Employee Health Insurance:

The Municipality does not provide health insurance for its employees.

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft of 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 administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 and 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 not exceeded the liability coverage during the past three years.

Unemployment Benefits:

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

12. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 27, 2025, the date on which the financial statements were available to be issued.

At the December 6, 2023 board meeting, the Municipality of Emery entered into a thirty-year commitment with Hanson Rural Water District to provide water to the Municipality, with the contract starting on January 1, 2024. A monthly charge of \$1,268.89 is paid by the Municipality to the Hanson Rural Water District. The monthly charge represents a contribution by the Municipality to aid Hanson Rural Water in the construction of the facilities necessary to provide the Municipality with water.

At the March 11, 2024 board meeting, the board approved the purchase of a 2024 New Holland Skid Loader for \$53,200, with a downpayment of \$20,000. The remainder is financed with a loan totaling \$33,200 from Security State Bank with a rate of 6.5% for three years.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	163,500.00	163,500.00	157,142.46	(6,357.54)
General Sales and Use Taxes	165,000.00	165,000.00	210,001.94	45,001.94
Penalties and Interest on Delinquent Taxes	0.00	0.00	223.49	223.49
Total Taxes	328,500.00	328,500.00	367,367.89	38,867.89
Licenses and Permits	3,050.00	3,050.00	2,630.00	(420.00)
Intergovernmental Revenue:				
Federal Grants	0.00	46,915.65	6,915.65	(40,000.00)
State Grants	0.00	1,817.60	41,817.60	40,000.00
State Shared Revenue:				
Bank Franchise Tax	1,000.00	1,000.00	1,125.52	125.52
Prorate License Fees	2,000.00	2,000.00	2,712.10	712.10
Liquor Tax Reversion	3,000.00	3,000.00	3,326.87	326.87
Motor Vehicle Licenses	16,000.00	16,000.00	16,355.75	355.75
Local Government Highway and Bridge Fund	9,000.00	9,000.00	8,136.55	(863.45)
County Shared Revenue:				
County Road Tax	0.00	0.00	1,022.52	1,022.52
Total Intergovernmental Revenue	31,000.00	79,733.25	81,412.56	1,679.31
Charges for Goods and Services:				
Sanitation	66,000.00	66,000.00	73,958.64	7,958.64
Culture and Recreation	18,300.00	18,300.00	23,452.86	5,152.86
Total Charges for Goods and Services	84,300.00	84,300.00	97,411.50	13,111.50
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	260.00	260.00
Total Fines and Forfeits	0.00	0.00	260.00	260.00
Miscellaneous Revenue:				
Investment Earnings	1,200.00	1,200.00	6,484.36	5,284.36
Rentals	1,000.00	1,000.00	1,725.00	725.00
Contributions and Donations from Private Sources	0.00	6,530.00	6,530.00	0.00
Other	3,500.00	3,500.00	5,574.87	2,074.87
Total Miscellaneous Revenue	5,700.00	12,230.00	20,314.23	8,084.23
Total Revenue	452,550.00	507,813.25	569,396.18	61,582.93
Expenditures:				
General Government:				
Legislative	27,000.00	27,000.00	23,922.83	3,077.17
Contingency	20,000.00	20,000.00		
Amount Transferred		(10,000.00)		10,000.00
Elections	775.00	775.00	14.81	760.19
Financial Administration	50,800.00	61,000.00	52,491.22	8,508.78
Other	12,000.00	26,000.00	19,113.23	6,886.77
Total General Government	110,575.00	124,775.00	95,542.09	29,232.91
Public Safety:				
Police	24,500.00	24,500.00	24,500.00	0.00
Fire	1,000.00	1,000.00	940.00	60.00
Total Public Safety	25,500.00	25,500.00	25,440.00	60.00

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (continued):				
Public Works:				
Highways and Streets	186,975.00	333,475.00	299,454.12	34,020.88
Sanitation	66,000.00	71,800.00	70,738.74	1,061.26
Total Public Works	252,975.00	405,275.00	370,192.86	35,082.14
Health and Welfare:				
Health	5,500.00	5,500.00	0.00	5,500.00
Total Health and Welfare	5,500.00	5,500.00	0.00	5,500.00
Culture and Recreation:				
Recreation	59,600.00	59,600.00	57,869.04	1,730.96
Parks	27,400.00	41,900.00	35,983.76	5,916.24
Auditorium	10,000.00	34,250.00	27,937.41	6,312.59
Total Culture and Recreation	97,000.00	135,750.00	121,790.21	13,959.79
Conservation and Development				
Economic Development and Assistance (Industrial Development)	1,000.00	1,000.00	761.00	239.00
Total Conservation and Development	1,000.00	1,000.00	761.00	239.00
Debt Service	0.00	0.00	777.00	(777.00)
Total Expenditures	492,550.00	697,800.00	614,503.16	83,296.84
Excess of Revenue Over (Under) Expenditures	(40,000.00)	(189,986.75)	(45,106.98)	144,879.77
Other Financing Sources (Uses):				
Transfers In	40,000.00	40,000.00	9,692.35	(30,307.65)
Proceeds of General Long-Term Debt	0.00	78,000.00	78,000.00	0.00
Sale of Municipal Property	0.00	14,100.00	14,100.00	0.00
Total Other Financing Sources (Uses)	40,000.00	132,100.00	101,792.35	(30,307.65)
Net Change in Fund Balances	0.00	(57,886.75)	56,685.37	114,572.12
Fund Balance - Beginning	365,662.22	365,662.22	365,662.22	0.00
FUND BALANCE - ENDING	365,662.22	307,775.47	422,347.59	114,572.12

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	153,996.00	153,996.00	151,705.78	(2,290.22)
General Sales and Use Taxes	160,000.00	160,000.00	193,527.32	33,527.32
Penalties and Interest on Delinquent Taxes	0.00	0.00	674.90	674.90
Total Taxes	313,996.00	313,996.00	345,908.00	31,912.00
Licenses and Permits	1,710.00	1,710.00	2,610.00	900.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	19,514.74	19,514.74
State Grants	0.00	1,485.00	4,086.97	2,601.97
State Shared Revenue:				
Bank Franchise Tax	1,000.00	1,000.00	592.83	(407.17)
Prorate License Fees	1,800.00	1,800.00	3,077.72	1,277.72
Liquor Tax Reversion	3,000.00	3,000.00	3,391.50	391.50
Motor Vehicle Licenses	16,000.00	16,000.00	15,417.27	(582.73)
Local Government Highway and Bridge Fund	9,000.00	9,000.00	7,913.04	(1,086.96)
County Shared Revenue:				
County Road Tax	1,000.00	1,000.00	1,022.52	22.52
Total Intergovernmental Revenue	31,800.00	33,285.00	55,016.59	21,731.59
Charges for Goods and Services:				
Culture and Recreation	14,700.00	14,700.00	22,171.85	7,471.85
Total Charges for Goods and Services	14,700.00	14,700.00	22,171.85	7,471.85
Miscellaneous Revenue:				
Investment Earnings	1,200.00	1,200.00	841.00	(359.00)
Rentals	1,000.00	1,000.00	1,025.00	25.00
Contributions and Donations from Private Sources	0.00	1,941.58	1,941.58	0.00
Other	3,500.00	3,500.00	5,413.98	1,913.98
Total Miscellaneous Revenue	5,700.00	7,641.58	9,221.56	1,579.98
Total Revenue	367,906.00	371,332.58	434,928.00	63,595.42
Expenditures:				
General Government:				
Legislative	26,200.00	26,700.00	22,008.47	4,691.53
Contingency	7,836.00	7,836.00		
Amount Transferred		(6,000.00)		1,836.00
Elections	550.00	775.00	643.47	131.53
Financial Administration	49,875.00	56,375.00	50,908.35	5,466.65
Other	7,300.00	15,500.00	12,979.21	2,520.79
Total General Government	91,761.00	101,186.00	86,539.50	14,646.50
Public Safety:				
Police	18,500.00	29,500.00	22,500.00	7,000.00
Fire	1,000.00	1,000.00	65.00	935.00
Total Public Safety	19,500.00	30,500.00	22,565.00	7,935.00

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (continued):				
Public Works:				
Highways and Streets	201,625.00	201,625.00	150,674.39	50,950.61
Total Public Works	201,625.00	201,625.00	150,674.39	50,950.61
Health and Welfare:				
Health	5,500.00	5,500.00	458.50	5,041.50
Total Health and Welfare	5,500.00	5,500.00	458.50	5,041.50
Culture and Recreation:				
Recreation	54,000.00	54,000.00	47,404.06	6,595.94
Parks	26,020.00	30,520.00	23,895.45	6,624.55
Auditorium	8,500.00	11,000.00	5,979.44	5,020.56
Total Culture and Recreation	88,520.00	95,520.00	77,278.95	18,241.05
Conservation and Development				
Economic Development and Assistance (Industrial Development)	1,000.00	1,500.00	977.51	522.49
Total Conservation and Development	1,000.00	1,500.00	977.51	522.49
Total Expenditures	407,906.00	435,831.00	338,493.85	97,337.15
Excess of Revenue Over (Under) Expenditures	(40,000.00)	(64,498.42)	96,434.15	160,932.57
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	92,779.81	92,779.81
Transfers Out	0.00	0.00	(40,325.41)	(40,325.41)
Sale of Municipal Property	0.00	4,092.00	4,092.00	0.00
Compensation for Loss or Damage to Capital Assets	0.00	18,074.83	18,074.83	0.00
Total Other Financing Sources (Uses)	0.00	22,166.83	74,621.23	52,454.40
Net Change in Fund Balances	(40,000.00)	(42,331.59)	171,055.38	213,386.97
Fund Balance - Beginning	194,606.84	194,606.84	194,606.84	0.00
FUND BALANCE - ENDING	154,606.84	152,275.25	365,662.22	213,386.97

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONSchedules of Budgetary Comparisons for the General FundNOTE 1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line on the budget.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with the modified cash basis of accounting.

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

SUPPLEMENTARY INFORMATIONSCHEDULE OF PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Nine Years *

	<u>Municipality's proportion of the net pension liability/asset</u>	<u>Municipality's proportionate share of net pension liability (asset)</u>	<u>Municipality's covered-employee payroll</u>	<u>Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2023	0.0089310%	(871.71)	230,366.97	0.38%	100.10%
2022	0.0123570%	(1,167.81)	295,058.10	0.40%	100.10%
2021	0.0119920%	(91,838.20)	272,133.24	33.75%	105.52%
2020	0.0098156%	(426.29)	216,047.96	0.20%	100.04%
2019	0.0095325%	(1,010.18)	202,754.87	0.50%	100.09%
2018	0.0098473%	(229.66)	203,020.08	0.11%	100.02%
2017	0.0089527%	(812.47)	180,670.53	0.45%	100.10%
2016	0.0078032%	26,358.44	149,462.33	17.64%	96.89%
2015	0.0019581%	(8,304.86)	35,750.00	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. 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 PENSION 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	12,861.02	12,861.02	\$ -	214,350.46	6.00%
2022	15,761.72	15,761.72	\$ -	262,694.06	6.00%
2021	17,184.71	17,184.71	\$ -	286,410.75	6.00%
2020	15,093.44	15,093.44	\$ -	251,555.33	6.00%
2019	12,417.91	12,417.91	\$ -	207,666.32	6.00%
2018	12,110.43	12,110.43	\$ -	201,840.73	6.00%
2017	11,769.97	11,769.97	\$ -	196,306.18	6.00%
2016	9,305.85	9,305.85	\$ -	155,097.49	6.00%
2015	6,781.44	6,781.44	\$ -	113,024.00	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.

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/22	Additions	Deletions	Ending Balance 12/31/23	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
USDA Rural Development Equipment Loan		78,000.00	591.08	77,408.92	6,627.31
SRF - Clean Water Storm Sewer		14,800.00		14,800.00	
Total Governmental Activities	0.00	92,800.00	591.08	92,208.92	6,627.31
Business-Type Activities:					
Bonds Payable:					
Sewer Project Revenue Bonds, Series 2008	320,419.17		14,615.81	305,803.36	7,711.65
Water Revenue Bonds, Series 2008	172,271.99		7,868.60	164,403.39	4,151.79
State Revolving Fund Loan - Drinking Water	434,713.98		21,869.41	412,844.57	11,434.84
State Revolving Fund Loan - Clean Water	920,191.03		44,690.46	875,500.57	23,453.87
Consolidated Water Facilities Loan		70,000.00		70,000.00	3,159.78
Direct Borrowing Note Payable - Rural Economic Development	32,405.33		32,405.33		
Direct Borrowing Note Payable - Areawide Business Council, Inc.	32,240.10		3,585.82	28,654.28	1,861.22
Direct Borrowing Note Payable - Emery Fire Department Note Payable	30,000.00		20,000.00	10,000.00	10,000.00
Total Business-Type Activities	1,942,241.60	70,000.00	145,035.43	1,867,206.17	61,773.15
TOTAL PRIMARY GOVERNMENT	1,942,241.60	162,800.00	145,626.51	1,959,415.09	68,400.46

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

Revenue Bonds:

Sewer Project Revenue Bonds - Series 2008 Interest Rate at 3.625%; Maturity November 21, 2048; Payable by Sewer Fund	\$ 305,803.36
Water Revenue Bonds - Series 2008 Interest Rate at 3.625%; Maturity November 21, 2048; Payable by Sewer Fund	\$ 164,403.39
State Revolving Fund Loan – Drinking Water; Interest Rate at 3.00%; Maturity August 15, 2048; Payable by Water Fund	\$ 412,844.57
State Revolving Fund Loan – Clean Water; Interest Rate at 3.25%; Maturity August 15, 2048; Payable by Sewer Fund	\$ 875,500.57
USDA Rural Development Equipment Loan Interest Rate at 3.625%; Maturity November 10, 2033 Payable by General Fund	\$ 77,408.92

SUPPLEMENTARY INFORMATION
(Continued)

SRF Clean Water Storm Water Sewer Bond 2023 Interest Rate at 2.125%; Maturity November 15, 2055; Payable by General Fund	\$ 14,800.00
Consolidated Water Facilities Loan Interest Rate at 2.75%; Maturity May 1, 2034; Payable by Water Fund	\$ 70,000.00
Direct Borrowing Note Payable - Areawide Business Council, Inc. Note for Relocation and Expansion of Daycare Interest Rate at 2.5%; Maturity February 20, 2037 Payable by Daycare Fund	\$ 28,654.28
Direct Borrowing Note Payable - Emery Fire Department; Interest Rate at 0.00%; Maturity November 15, 2024 Payable by Water Fund	\$ 10,000.00

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities is \$38,654.28. The direct borrowings may be prepaid, in whole or in part, at any time before maturity without penalty or premium. Of the total of direct borrowings, \$28,654.28 include provisions that in an event of default the following may occur: a) all payments may become immediately due and payable, b) take possession of the collateral, c) repossess and sell collateral to cover all costs incurred and payable, and if sale doesn't cover all outstanding balances take any other remedy available by law. Daycare revenue is the dedicated tax revenue and collateral for the loan.

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

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

Year Ending Dec. 31,	Sewer Project Revenue Bond, Series 2008		Water Revenue Bond, Series 2008		Direct Borrowing Note Payable Areawide Business Council, Inc.	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	7,711.65	10,960.35	4,151.79	5,892.21	1,861.22	695.14
2025	7,995.90	10,676.10	4,304.82	5,739.18	1,908.32	648.04
2026	8,290.60	10,381.40	4,463.48	5,580.52	1,956.55	599.81
2027	8,596.19	10,075.81	4,628.01	5,415.99	2,006.04	550.32
2028	8,913.03	9,758.97	4,798.58	5,245.42	2,056.78	499.58
2029-2033	49,741.91	43,618.09	26,779.98	23,440.02	11,090.85	1,690.95
2034-2038	59,610.08	33,749.92	32,092.79	18,127.21	7,774.52	320.62
2039-2043	71,435.96	21,924.04	38,459.59	11,760.41		
2044-2048	83,508.04	8,295.96	44,724.35	4,658.65		
Totals	305,803.36	159,440.64	164,403.39	85,859.61	28,654.28	5,004.46

SUPPLEMENTARY INFORMATION
(Continued)

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

Year Ending Dec. 31,	State Revolving Fund Loan Drinking Water		State Revolving Fund Loan Clean Water		Direct Borrowing Note Payable Emery Fire Department	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	11,434.84	12,257.48	23,453.87	28,169.85	10,000.00	0.00
2025	11,781.75	11,910.57	24,225.46	27,398.26		
2026	12,139.20	11,553.12	25,022.42	26,601.30		
2027	12,507.49	11,184.83	25,845.63	25,778.09		
2028	12,886.96	10,805.36	26,695.91	24,927.81		
2029-2033	70,542.19	47,919.41	147,245.53	110,873.07		
2034-2038	81,912.51	36,549.09	173,113.08	85,005.52		
2039-2043	95,115.48	23,346.12	203,524.90	54,593.70		
2044-2048	104,524.15	8,014.37	226,373.77	18,838.90		
Totals	412,844.57	173,540.35	875,500.57	402,186.50	10,000.00	0.00

Year Ending Dec. 31,	USDA Rural Development Tractor Loan		DANR Clean Water Storm Sewer #2		Consolidated Water Facilities Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	6,627.31	2,696.69			3,159.78	1,352.11
2025	6,871.61	2,452.39			6,420.63	1,386.43
2026	7,124.87	2,199.13	356.78	311.66	6,557.80	1,249.26
2027	7,387.48	1,936.52	364.41	304.03	6,697.89	1,109.17
2028	7,659.76	1,664.24	372.23	296.21	6,840.97	966.09
2029-2033	41,737.89	4,105.11	1,984.14	1,358.06	36,460.44	2,574.83
2034-2038			2,205.97	1,136.23	3,862.49	41.04
2039-2043			2,452.58	889.62		
2044-2048			2,726.71	615.49		
2049-2053			3,031.54	310.66		
2054			1,305.64	31.24		
Totals	77,408.92	15,054.08	14,800.00	5,253.20	70,000.00	8,678.93

Totals		
	Principal	Interest
2024	68,400.46	62,023.83
2025	63,508.49	60,210.97
2026	65,911.70	58,476.20
2027	68,033.14	56,354.76
2028	70,224.22	54,163.68
2029-2033	385,582.93	235,579.54
2034-2038	360,571.44	174,929.63
2039-2043	410,988.51	112,513.89
2044-2048	461,857.02	40,423.37
2049-2053	3,031.54	310.66
2054	1,305.64	31.24
Totals	1,959,415.09	855,017.77