

TOWN OF KEYSTONE
KEYSTONE, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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TOWN OF KEYSTONE
KEYSTONE, SOUTH DAKOTA

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FOR THE YEAR ENDING DECEMBER 31, 2021

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
Town of Keystone
Keystone, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions:

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the Town of Keystone (Town), Pennington County South Dakota as of December 31, 2021 and for the one year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In my opinion, based on my audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Keystone as of December 31, 2021, and the respective changes in its financial position and cash flows thereof for the year then ended, in accordance with a modified cash basis of accounting.

Basis for Opinions:

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

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a modified cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 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:

My 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 my opinion. 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 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*, I:

- > 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 Town'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 my opinion, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Emphasis of Matter - Modified Cash Basis of Accounting

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These 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. My opinion is not modified with respect to this matter.

Supplementary Information: (no opinion)

Accounting principles generally accepted in the United States of America allow for Management's Discussion and Analysis (page 4 to 9), budgetary comparison schedules (page 32 to 34) and pension schedules (page 35 and 36) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is allowed by Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial

Town of Keystone
Independent Auditor's Report -- Page Three

statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information: (Opinion)

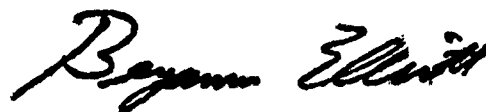
My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town of Keystone's financial statements. The schedule of changes in long-term debt (page 31) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting 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 modified cash basis of accounting financial statements. The information has been subject 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated May 24, 2023 (page 37) on my consideration of the Town of Keystone's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 24, 2023

TOWN OF KEYSTONE
DECEMBER 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Town of Keystone's (Town) financial report presents our discussion and analysis of the Town's financial performance during the year ending December 31, 2021 within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Town of Keystone for 2021 are as follows:

Receipts:	
Charges for goods and services	851,831
Operating grants	36,631
Capital grants	0
General receipts	1,768,900

Total	2,657,362

Disbursements:	
Governmental	886,152
Business-type	545,547

Total	1,431,699

Increase in Net Position	1,225,663
Net Position:	
December 31, 2020	5,294,556

December 31, 2021	6,520,219
	=====
Governmental Funds:	
General	1,041,855
Library Fines	1,220
Parking	143,587
2nd Cent	1,908,299
3rd Cent (promotion)	800,463
Enterprise Funds:	
Water	1,135,520
Sewer	1,489,275

Total	6,520,219
	=====

During 2021 the Town:

Received:

126,024 from property taxes
1,519,094 from sales taxes
36,631 from the federal government for COVID related costs

Paid:

124,354 to the Keystone Chamber of Commerce.
20,000 to the Keystone Area Historical Society.
8,773 to the Keystone Senior Citizens.
133,650 related to engineering for bridge improvements.
36,458 to pay down the 2004 Sales Tax Revenue SRF Loan.
16,405 to pay down the 2017 Clean Water Revenue Borrower bond.
3,634 to pay down the 2017 CWFCP Revenue bond.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34. The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9), (2) the basic financial statements (page 10 to 30) and (3) other supplementary information (page 31 to 36). The basic financial statements include two types of statements that present the Town from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the Town.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the Town at the end of 2021 are the General, Parking, Library Fines, 2nd Cent Sales Tax, and 3rd Cent Sales Tax Funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the Town that operate like a business. Enterprise funds operated by the Town include the Water and Sewer Funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the Town acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2021 the Town had no fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue funds.

Supplementary Information:

This Management's Discussion and Analysis (page 4 to 9), the budgetary comparison schedules (page 32 to 34), and pension schedules (page 35 and 36) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary comparison schedule are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure. The schedule of changes in debt (page 31) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Here is an overview of the Town's financial statements.

Management's Discussion and Analysis		Government-wide Financial Statements
Basic Financial Statements ----->		Fund Financial Statements
Supplementary Information (other than MD&A)		Notes to the Financial Statements

Here is a summary of the major features of these financial statement.

	Government-wide Statements	-----Fund Statements-----	
		Governmental Funds	Enterprise Funds
Scope	Entire Town (including component units if any)	Town activities except enterprise	Activities operated like a private business (water and sewer)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
Required Financial Statements	Statement of Activities	Statement of Receipts Disbursements and Changes in Fund Balances	Statement of Cash Receipts, Disbursements and Changes in Net Position
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash No liabilities	Only cash No liabilities	Only cash No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts and Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

BASIS OF ACCOUNTING

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

GOVERNMENT-WIDE STATEMENTS

(Reporting the Town as a whole)

The government-wide statements (page 10 and 11) report information about the Town as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's cash. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the Town's net position and how it has changed. Net position is the Town's petty cash, checking accounts, savings accounts, certificate of deposit and money market accounts. The change in these accounts is one way to measure the Town's financial health. Increases or decreases in net position measures improvements or declines in the Town's financial health. To assess the Town's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such care of streets, police protection, library, community center, and debt service payments. Property taxes, sales taxes, and interest earnings finance most of these activities.

The business-type activities account for the Town's water and sewer activities. These services are funded by user fees. Bonds and federal and state grants pay for capital improvements to the water and sewer systems.

FUND FINANCIAL STATEMENTS

(Reporting the Town's most significant funds)

The fund financial statements (page 12 to 16) provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting tools used to keep track of the Town's receipts and disbursements. State law requires the use of some funds and the Town board establishes other funds to manage money for a specific purpose, like a tax increment district.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the Town's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance the Town's programs.

Enterprise fund: Services for which the Town charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water and sewer funds are the only enterprise funds maintained by the Town.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2021

(Material changes for governmental activities = changes greater than \$100,000)

(Material changes for business-type activities = changes greater than \$ 50,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Cash	969,267	Excess of receipts over disbursements
Sales tax receipts	413,233	Increased economic activity
Business-type Activities:		
Cash	256,396	Excess of receipts over disbursements
Charges for services	153,244	Increased water and sewer sales
Water costs	81,699	Increased water cost

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2021 the Town adopted a general fund budget of \$569,930 which is a decrease of \$21,412 or 3.62% from 2020. The decrease was spread across several line items. There was one supplemental appropriation to the general fund budget. See page 32 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above.
See also page 31 for more information.

CURRENTLY KNOWN FACTS

The Historical Society 2022 budget was increased \$50,000 to paint the museum building.

In January 2022 the Town purchased a skid a Caterpillar 246D skid steer loader for \$51,576 and received \$13,000 from a trade in.

In May 2022 the Town completed an Advance Assistance (flood study) for \$135,000 and will receive a 75% federal FEMA reimbursement of \$101,250.

In June 2022 the Town finalized the sale of land for \$50,000 to the Ambulance District.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Keystone's finance office at P.O. Box 689, Keystone, SD 57751 or telephone us at (605) 666-4827.

TOWN OF KEYSTONE
TABLE 1 - NET POSITION
MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Assets:						
Petty cash	1,470	772			1,470	772
Checking	36,806	53,653	468	-19,434	37,274	34,219
Savings	3,857,148	2,871,732	2,624,327	2,387,833	6,481,475	5,259,565
Total assets	3,895,424	2,926,157	2,624,795	2,368,399	6,520,219	5,294,556
Net Position:						
Restricted:						
Debt service			43,034	43,034	43,034	43,034
Promotion	800,463	646,403			800,463	646,403
Library fines	1,220	522			1,220	522
Meter deposits			2,570	2,000	2,570	2,000
Unrestricted	3,093,741	2,279,232	2,579,191	2,323,365	5,672,932	4,602,597
Total net position	3,895,424	2,926,157	2,624,795	2,368,399	6,520,219	5,294,556

TABLE 2 - CHANGES IN NET POSITION
MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Receipts:						
Program receipts:						
Charges for services	80,606	121,695	771,225	617,981	851,831	739,676
Operating grants and contri.	5,962	69,553	30,669	2,442	36,631	71,995
Capital grants and contri.				25,000	0	25,000
General receipts:						
Property taxes	126,024	123,222			126,024	123,222
Sales taxes	1,519,094	1,105,861			1,519,094	1,105,861
Receipts from state sources	30,398	30,441			30,398	30,441
Receipts from county sources	10,909	9,743			10,909	9,743
Interest received	490	2,282	49	285	539	2,567
Parking fees	65,851	50,804			65,851	50,804
Donations	3,950				3,950	0
Other general receipts	12,135	2,622			12,135	2,622
Total receipts	1,855,419	1,516,223	801,943	645,708	2,657,362	2,161,931
Disbursements:						
General government	176,316	147,088			176,316	147,088
Public safety	85,614	77,500			85,614	77,500
Public works	271,554	218,486			271,554	218,486
Culture and recreation	160,436	135,900			160,436	135,900
Economic development	145,447	145,296			145,447	145,296
Debt service	43,035	32,275			43,035	32,275
Miscellaneous	3,750	3,225			3,750	3,225
Water			279,353	197,654	279,353	197,654
Sewer			266,194	250,651	266,194	250,651
Total disbursements	886,152	759,770	545,547	448,305	1,431,699	1,208,075
Excess of receipts over (under) disbursements	969,267	756,453	256,396	197,403	1,225,663	953,856
Compensation for damages		3,998			0	3,998
Change in net position	969,267	760,451	256,396	197,403	1,225,663	957,854
Net position:						
December 31, 2019		2,165,706		2,170,996		4,336,702
December 31, 2020	2,926,157	2,926,157	2,368,399	2,368,399	5,294,556	5,294,556
December 31, 2021	3,895,424		2,624,795		6,520,219	

TOWN OF KEYSTONE

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2021

	Primary Government		

	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Petty cash	1,470		1,470
Checking	36,806	468	37,274
Savings	3,857,148	2,624,327	6,481,475
	-----	-----	-----
Total assets	3,895,424	2,624,795	6,520,219
	=====	=====	=====
NET POSITION:			
Restricted for:			
Debt service		43,034	43,034
Promotion	800,463		800,463
Library fines	1,220		1,220
Meter deposits		2,570	2,570
Unrestricted	3,093,741	2,579,191	5,672,932
	-----	-----	-----
Total net position	3,895,424	2,624,795	6,520,219
	=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	-----				-----		
	Charges for Operating Capital Services and Grants and Grants and DisbursementsReimbursementsContributionsContributions				Primary Government		
	-----	-----	-----	-----	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	176,316	40,549	.		-135,767		-135,767
Public safety	85,614		5,962		-79,652		-79,652
Public works	271,554	13,450			-258,104		-258,104
Culture and recreation	160,436	8,107			-152,329		-152,329
Economic development	145,447				-145,447		-145,447
Debt service - principal	36,458				-36,458		-36,458
Debt service - interest and fees	6,577				-6,577		-6,577
Liquor license	3,750	18,500			14,750		14,750
Total governmental activities	886,152	80,606	5,962	0	-799,584	0	-799,584
Business-type activities:							
Water	279,353	337,839	30,669			89,155	89,155
Sewer	266,194	433,386				167,192	167,192
Total business-type activities	545,547	771,225	30,669	0	0	256,347	256,347
Total primary government	1,431,699	851,831	36,631	0	-799,584	256,347	-543,237

General receipts:							
Property taxes					126,024		126,024
Sales taxes					1,519,094		1,519,094
State shared receipts					30,398		30,398
County shared receipts					10,909		10,909
Interest received					490	49	539
Donations					3,950		3,950
Parking fees					65,851		65,851
Miscellaneous					12,135		12,135
Transfers					0		0
Total general receipts and transfers					1,768,851	49	1,768,900

Change in net position					969,267	256,396	1,225,663
Net position, January 1, 2021					2,926,157	2,368,399	5,294,556

Net position, December 31, 2021					3,895,424	2,624,795	6,520,219
=====							

See accompanying notes.

TOWN OF KEYSTONE

BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2021

	General Fund	Parking Fund	Library Fines Fund	2nd Cent (Debt) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
	-----	-----	-----	-----	-----	-----
ASSETS:						
Petty Cash	250		1,220			1,470
Checking	34,866				1,940	36,806
Savings	1,006,739	143,587		1,908,299	798,523	3,857,148
	-----	-----	-----	-----	-----	-----
Total assets	1,041,855	143,587	1,220	1,908,299	800,463	3,895,424
	=====	=====	=====	=====	=====	=====
FUND BALANCES:						
Nonspendable: (none)						0
Restricted for:						
Promotion					800,463	800,463
Library fines			1,220			1,220
Committed - capital projects				1,908,299		1,908,299
Assigned - parking		143,587				143,587
Unassigned	1,041,855					1,041,855
	-----	-----	-----	-----	-----	-----
Total fund balances	1,041,855	143,587	1,220	1,908,299	800,463	3,895,424 *
	=====	=====	=====	=====	=====	=====

* Equals net position on
Statement of Net Position

See accompanying notes.

TOWN OF KEYSTONE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	Parking Fund	Library Fines Fund	2nd Cent (Debt) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes				126,024		126,024
General sales and use taxes	580,398			580,398	358,298	1,519,094
Licenses and permits:	57,542					57,542
Intergovernmental receipts:						
Federal grant - CARES	5,962					5,962
State shared receipts:						
Bank franchise	1,419					1,419
Liquor tax reversion	2,284					2,284
Motor vehicle license	7,384					7,384
Highway and bridge	19,311					19,311
County shared receipts:						
Library services	9,909					9,909
Radio tower project	1,000					1,000
Charges for goods and services:						
General government	347					347
Cemetery lots	13,450					13,450
Library			2,632			2,632
Community Center	5,475					5,475
Fines and forfeits:	1,160					1,160
Miscellaneous receipts:						
Interest received	490					490
Donations - library	3,950					3,950
Parking fees	521	65,330				65,851
Other	12,135					12,135
Total receipts	722,737	65,330	2,632	706,422	358,298	1,855,419
Disbursements:						
General government:						
Governing Board	11,175					11,175
Elections	437					437
Financial administration	85,963					85,963
Other	75,544					75,544
Public safety:						
Police	79,050					79,050
Public works:						
Highways and streets	97,685			133,650		231,335
Cemetery	10,970					10,970
Parking		7,000				7,000
Water source				21,093		21,093
Culture and recreation:						
Parks and recreation	2,167					2,167
Senior citizens					8,773	8,773
Library	64,144		1,934			66,078
KCC Community Center	5,375				51,111	56,486
Historical Society					20,000	20,000
Economic development:						
Chamber of Commerce					124,354	124,354
Debt service:						
Principal				36,458		36,458
Interest and fees				6,577		6,577
Miscellaneous: Liquor	3,750					3,750
Capital outlay	38,942					38,942
Total disbursements	475,202	7,000	1,934	197,778	204,238	886,152
Excess of receipts over (under) disbursements	247,535	58,330	698	508,644	154,060	969,267
Other financing sources (uses):						
Transfer in (out)	-85,257	85,257				0
Net change in fund balances	162,278	143,587	698	508,644	154,060	969,267 *
Fund balances:						
January 1, 2021	879,577	New	522	1,399,655	646,403	2,926,157
December 31, 2021	1,041,855	143,587	1,220	1,908,299	800,463	3,895,424

* Equals change in net position on
Statement of Activities
See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS:			
Current assets:			
Checking	468		468
Savings	1,135,052	1,489,275	2,624,327
	-----	-----	-----
Total assets	1,135,520	1,489,275	2,624,795
	=====	=====	=====
 NET POSITION			
Restricted for:			
Debt service	43,034		43,034
Meter deposits	2,570		2,570
Unrestricted	1,089,916	1,489,275	2,579,191
	-----	-----	-----
Total net position	1,135,520	1,489,275	2,624,795
	=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN NET POSITION -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
Operating receipts:			
Charges for goods and services	337,839	433,386	771,225
	-----	-----	-----
Total operating receipts	337,839	433,386	771,225
	-----	-----	-----
Operating disbursements:			
Personal services	73,982	115,516	189,498
Other current services	71,055	122,055	193,110
Improvements	127,965		127,965
	-----	-----	-----
Total operating disbursements	273,002	237,571	510,573
	-----	-----	-----
Excess of operating receipts over operating disbursements	64,837	195,815	260,652
Nonoperating receipts (disbursements):			
Interest earnings	14	35	49
Federal grant - CARES	30,669		30,669
Debt service - principle	-3,634	-16,405	-20,039
- interest	-2,717	-12,218	-14,935
	-----	-----	-----
Total nonoperating receipts (disburse	24,332	-28,588	-4,256
	-----	-----	-----
Change in net position	89,169	167,227	256,396
Net position:			
January 1, 2021	1,046,351	1,322,048	2,368,399
	-----	-----	-----
December 31, 2021	1,135,520	1,489,275	2,624,795
	=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	333,339	428,886	762,225
Interfund services provided, est	4,500	4,500	9,000
Cost of employees	-73,982	-115,516	-189,498
Payments to suppliers	-71,055	-122,055	-193,110
Payments for improvements	-127,965		-127,965
Net cash provided (used) by operating activities	----- 64,837	----- 195,815	----- 260,652
Noncapital financing activities:			
Federal grant - CARES	30,669		30,669
Capital financing activities:			
Debt service - principle	-3,634	-16,405	-20,039
- interest	-2,717	-12,218	-14,935
Investing activities:			
Interest received	14	35	49
Net increase (decrease) in cash and cash equivalents	----- 89,169	----- 167,227	----- 256,396
Cash and cash equivalents:			
January 1, 2021	1,046,351	1,322,048	2,368,399
December 31, 2021	----- 1,135,520 =====	----- 1,489,275 =====	----- 2,624,795 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Excess operating receipts or (disbursements)	64,837	195,815	260,652
Net cash provided (used) by operating activities	----- 64,837 =====	----- 195,815 =====	----- 260,652 =====

Noncash investing, capital and
 financing activities: None

See accompanying notes.

TOWN OF KEYSTONE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Town of Keystone's (Town) Governing Board.

The Town's officials at December 31, 2021 are:

President:	Finance Officer:
Kwinn Neff	Cassandra Ott
Trustees:	Attorney:
Matthew Fullilove	Mitchell Johnson
Rick Greene	
Sandra McLain	
Casey McNulty	

The reporting entity of the Town of Keystone consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Town (the primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town unless that organization can, without the approval of the Town: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Town of Keystone does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the Town or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The Town has elected to classify all of its funds as major funds.

Funds of the Town are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the Town except those required to be accounted for in another fund. The general fund is always a major fund.

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

Parking Fund - A fund established by SDCL 9-51-2 to account for parking lot fees. The parking fund is a major fund.

Library Fines Fund - A fund established by SDCL 14-2-42 and AGR 82-33 to account for library fines. The library fines fund is a major fund.

2nd Cent Sales Tax Fund - A fund established by Town of Keystone under Ordinance No. 31, to collect an additional 1% sales tax "...to provide revenue for the Town of Keystone..." including revenue to support payment of the Town's 2004 sales tax revenue drinking water SRF loan for water improvements. The 2nd cent sales tax fund is a major fund.

3rd Cent Sales Tax Fund - A fund established by SDCL 10-52-8, to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including promotion and advertising of the Town. The 3rd cent sales tax fund is a major fund.

Enterprise Funds
(Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Town has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the Town of Keystone. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the own of Keystone. The sewer fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The Town of Keystone has no fiduciary funds.

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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Town's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of 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, business-type, and major fund 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 receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. 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 cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Town in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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 and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The Town had no certificates of deposit in 2021.

Under the modified cash basis of accounting, investments are carried at cost.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the Town.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. 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 placed on their use either by (a) external groups such as creditor, grantor, 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 does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Custodial Net Position".

i. Application of Net Position:

It is the Town's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. 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 Town classifies governmental fund balances as follows:

- * Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund cash 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 (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- * Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The Town of Keystone fund cash balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Library Fines	Statute	1,220
	3rd Cent: Promotion	Statute	800,463
Committed	2nd Cent: Capital projects	Ordinance	1,908,299
Assigned	Parking	Finance Officer	143,587
Unassigned	General		1,041,855

			3,895,424

The Town uses "restricted" and "committed" amounts first when 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 Town would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund cash balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 13)
* Parking	Parking fees
* Library Fines	Library fines and donations
* 2nd Cent	Property tax and Sales tax
* 3rd Cent	Sales tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the Town follows the practice of aggregating deposits of its 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 Town 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. 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 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 the add-on type.

Actual bank balances at December 31, 2021 were as follows: Insured \$290,233, Collateralized ** \$6,231,476, for a total of \$6,521,709.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2021 was \$6,518,749 held as follows.

1st Interstate Bank, (Hill City, SD):

Checking	\$ 37,274
Savings	6,481,475

	\$ 6,518,749

Petty cash	1,470

	\$ 6,520,219
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits Town money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

During 2021 the Town did not have any investments.

Investment Risk - State law limits eligible investments for the Town as discussed above. The Town has no investment policy that would further limit its investment choices.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the Town will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2021 the Town had no investments and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. At December 31, 2021, the Town's deposits were with First Interstate Bank, Hill City, SD and were not exposed to custodial deposit risks.

Concentration of Credit Risk - the Town places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The Town's policy is to credit all income from deposits and investments to the fund making the investment except for the 2nd and 3rd cent special revenue funds interest (if any) which is credited to the general fund.

5. RESTRICTED NET POSITION

The following table shows the December 31, 2021 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Debt	Covenants		43,034
Promotion	Statute	800,463	
Library fines	Statute	1,220	
Meter deposits	Contract		2,570
		-----	-----
Total Restricted Net Position		801,683	45,604

6. INTERFUND TRANSFERS

The general fund transferred \$85,257 to the parking fund to establish it.

7. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service.

Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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 equal to or greater than the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B

Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Town's share of contributions to the SDRS for the calendar years ending December 31, 2021, 2020, and 2019 were \$16,964, \$16,483 and \$15,492 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2021 SDRS is 105.52% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the Town as of this measurement period ending June 30, 2021 and reported by the Town as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 1,639,559
Less: Proportionate share of net position restricted for pension benefits	(1,730,111)

Proportionate share of net pension (asset)/liability	\$ (90,552)
	=====

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Town's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Town's proportion was .000118240 which is a decrease of .00000065 over its proportion measured as of June 30, 2020.

Actuarial Assumptions:

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investments

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 (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%

	100.0%	

Discount Rate:

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

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the Town's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Town's proportionate share of the net pension (asset)/liability	\$146,626	\$(90,552)	\$(283,084)

Pension Plan Fiduciary Net Position:

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

8. PROPERTY TAX

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

9. INSURANCE

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the year ending December 31, 2021 the Town managed its risks as follows:

Employee Health Insurance:

The Town joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Town pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The policy has a maximum per year out-of-pocket deductible of \$500 for a single person and \$1,000 for a family.

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

Liability and Property Insurance:

The Town joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Town's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Town. The Town pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Town pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expense whether reported or unreported at the time of their departure from SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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

Worker's Compensation:

The Town joined the South Dakota Municipal League Workers' 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 Town'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 Town pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The Town 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 Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during the year ending December 31, 2021 and none are expected in 2022.

10. TAX ABATEMENTS

As of December 31, 2021 the Town did not provide any tax abatement incentives through a Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

11. LITIGATION

At December 31, 2021, the Town was not a party to litigation. However, should the Town become involved in litigation it has liability coverage for itself and its employees through South Dakota Public Assurance Alliance as discussed in the risk management note above. Therefore, litigation is not expected to have a potential material effect on the Town's financial statements.

12. RELATED ORGANIZATIONS

Keystone Area Historical Society:

The Keystone Area Historical Society received \$20,000 of 3rd Cent sales tax subsidy from the Town of Keystone in 2021. The Town appointed the Society's governing board until July 2019 when the Town relinquished that power. The Town is not financially accountable for the Society. The Society can set its own budget, determine rates charged, and borrow money without the Town's approval.

Keystone Chamber of Commerce:

The Keystone Chamber of Commerce received \$124,354 of 3rd Cent sales tax subsidy from the Town of Keystone in 2021. The Town does not appointed the Chamber's governing. The Town is not financially accountable for the Chamber. The Chamber can set its own budget, determine rates charged, and borrow money without the Town's approval.

Keystone Senior Citizens:

The Keystone Senior Citizens received \$8,773 of 3rd Cent sales tax subsidy from the Town of Keystone in 2021. The Town does not appointed the Senior Citizen's governing. The Town is not financially accountable for the Senior Citizens. The Senior Citizens can set its own budget, determine rates charged, and borrow money without the Town's approval.

Keystone Commission on Housing for the Elderly:

The Keystone Commission on Housing for the Elderly (aka: Keystone Elderly Apartments) is a related organization to the Town of Keystone. The Town appoints the Commission's governing board but is not financially accountable to the Commis-

sion. The Commission is under the jurisdiction of the U.S. Dept. of Agriculture - Rural Development (RD) - Rural Housing Services (RHS).

RD provides long-term financing. RHS provides budgetary control and rental assistance. The following unaudited data summarizes financial position and results of operations for the Commission as of and for the three years ending December 31, 2021:

	12-31-21 UNAUDITED 12 months	12-31-20 UNAUDITED 12 months	12-31-19 UNAUDITED 12 months
	-----	-----	-----
Current assets	70,535	69,511	67,156
Current liabilities	(12,407)	(6,684)	(8,832)
Land	71,394	71,394	71,394
Buildings	322,003	322,003	322,003
Equipment and improvements	52,826	52,826	52,826
Accumulated depreciation	(253,604)	(253,604)	(253,604)
RD note payable	(305,955)	(309,310)	(317,393)
	-----	-----	-----
Net position	(55,208)	(53,864)	(66,450)
	=====	=====	=====
 Rents	 32,713	 37,421	 31,020
RD rental assistance	31,709	27,619	30,498
RECD interest subsidy	14,921	14,934	14,921
Other income	4,016	4,680	4,976
 Expenses	 (86,471)	 (80,153)	 (86,329)
Depreciation	0	0	0
	-----	-----	-----
Operating income (loss)	(3,112)	4,501	(4,914)
 Beginning net position	 (53,864)	 (66,450)	 (61,536)
Prior period adjustment	1,768	8,085	0
	-----	-----	-----
Ending net position	(55,208)	(53,864)	(66,450)
	=====	=====	=====

13. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Town does not operate a landfill.

The Historical Society 2022 budget was increased \$50,000 to paint the museum building.

In January 2022 the Town purchased a skid a Caterpillar 246D skid steer loader for \$51,576 and received \$13,000 from a trade in.

In May 2022 the Town completed an Advance Assistance (flood study) for \$135,000 and will receive a 75% federal FEMA reimbursement of \$101,250.

In June 2022 the Town finalized the sale of land for \$50,000 to the Ambulance District.

TOWN OF KEYSTONE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN DEBT
FOR THE ONE YEAR ENDING DECEMBER 31, 2021

				Governmental Activities	Business-Type Activities	Principal
	Beginning 12-31-20	Additions	(Deletions)	Ending 12-31-21	Ending 12-31-21	Due in 2022
GOVERNMENTAL - DIRECT BORROWING						
2004 Sales Tax Revenue SRF Loan:						
From: State Revolving Funds - Drinking Water						
Amount disbursed: \$630,212						
Date of agreement: 3-25-2004						
Maturing: 2026						
Interest rate: 3.25%						
Collateral: Sales tax receipts						
Purpose: drinking water improvements						
Paid by the 2nd cent sales tax fund	215,940		-36,458	179,482		37,657
Totals	215,940	0	-36,458	179,482		37,657

BUSINESS-TYPE - DIRECT BORROWING						
2017 Clean Water Revenue Borrower Bond:						
Original issue of \$431,000						
Maturing on August 15, 2039						
Interest at 3.00%						
Collateral: sewer receipts						
Purpose: sewer facility improvements						
Paid by the sewer fund	413,382		-16,405		396,977	16,714
2017 Consolidated Water Facilities Construction Program Revenue Bond:						
Original issue of \$98,000						
Maturing on July 1, 2037						
Interest at 3.00%						
Collateral: water receipts						
Purpose: water well #3 retrofit project						
Paid by the water fund	91,473		-3,634		87,839	3,744
Totals	504,855	0	-20,039		484,816	20,458

Payment Schedules:	Total Payment	Principal	Interest	Balance
2004 Sales Tax Revenue SRF Loan:				
2022	43,034	37,657	5,377	141,825
2023	43,034	38,896	4,138	102,929
2024	43,034	40,175	2,859	62,754
2025	43,034	41,497	1,537	21,257
2026	21,517	21,257	260	0
Totals	193,653	179,482	14,171	

2017 Clean Water Revenue Borrower Bond:				
2022	28,623	16,714	11,909	380,263
2023	28,623	17,215	11,408	363,048
2024	28,623	17,731	10,892	345,317
2025	28,623	18,263	10,360	327,054
2026	28,623	18,811	9,812	308,243
2027-2031	143,114	102,868	40,246	205,375
2032-2036	143,114	119,252	23,862	86,123
2037-2040	91,676	86,123	5,553	0
Totals	521,019	396,977	124,042	

2017 Consolidated Water Facilities Construction Program Revenue Bond:				
2022	6,351	3,744	2,607	84,095
2023	6,351	3,857	2,494	80,238
2024	6,351	3,974	2,377	76,264
2025	6,351	4,094	2,257	72,170
2026	6,351	4,217	2,134	67,953
2027-2031	31,756	23,078	8,678	44,875
2032-2036	31,756	26,783	4,973	18,092
2037-2040	19,054	18,092	962	0
Totals	114,321	87,839	26,482	

TOWN OF KEYSTONE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers Supplemental:	Final		
Receipts:					
Taxes	350,500		350,500	580,398	229,898
Licenses and permits	21,000		21,000	57,542	36,542
Federal grant			0	5,962	5,962
State shared receipts	3,000		3,000	30,398	27,398
County shared receipts	35,500		35,500	10,909	-24,591
Charges for goods and servic	4,365		4,365	19,272	14,907
Fines and forfeits	2,000		2,000	1,160	-840
Interest	3,000		3,000	490	-2,510
Donations - Library			0	3,950	3,950
Parking fees			0	521	521
Miscellaneous			0	12,135	12,135
Total receipts	419,365	0	419,365	722,737	303,372
Disbursements:					
General government:					
Governing Board	19,000		19,000	11,175	7,825
Contingency	35,000		35,000		35,000
Amount transferred		-4,500	-4,500		-4,500
Elections	600		600	437	163
Financial administration	102,630	2,000	104,630	85,963	18,667
Other	86,250	1,000	87,250	78,305	8,945
Public safety:					
Police	79,050		79,050	79,050	0
Public works:					
Highways and streets	140,400		140,400	126,934	13,466
Cemetery	2,000		17,000	10,970	6,030
Culture and recreation:					
Parks and recreation	4,250		4,250	2,167	2,083
Library	76,750		76,750	71,076	5,674
Community Center	5,000	500	5,500	5,375	125
Miscellaneous:					
Liquor	4,000	1,000	5,000	3,750	1,250
Total disbursements	554,930	0	569,930	475,202	94,728
Excess of receipts over (under) disbursements	-135,565	0	-15,000	247,535	398,100
Other financing sources (uses):					
Transfer in (out)	137,065		137,065	-85,257	-222,322
Net change in fund balance	1,500	0	-13,500	162,278	175,778
Fund balance:					
January 1, 2021	879,577		879,577	879,577	0
December 31, 2021	881,077	0	866,077	1,041,855	175,778

TOWN OF KEYSTONE
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021

PARKING	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Parking fees	40,000		40,000	65,330	25,330
Total receipts	40,000	0	40,000	65,330	25,330
Disbursements:					
Public works: Parking	40,000		40,000	7,000	33,000
Total disbursements	40,000	0	40,000	7,000	33,000
Excess of receipts over (under) disbursements	0	0	0	58,330	-7,670
Other financing sources (uses):					
Transfer in	0			85,257	85,257
Net change in fund balance	0	0	0	143,587	77,587
Fund balance:					
January 1, 2021 - NEW	0		0	0	0
December 31, 2021	0	0	0	143,587	77,587

2ND CENT (DEBT SERVICE)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Taxes	471,500		471,500	706,422	234,922
Total receipts	471,500	0	471,500	706,422	234,922
Disbursements:					
Public works:					
Highway and streets	338,806	281,181	619,987	133,650	486,337
Water source	45,000	95,000	140,000	21,093	118,907
Debt service:					
Sewer payment	34,660		34,660		34,660
2004 SRF loan	43,034		43,034	43,035	-1
Total disbursements	461,500	376,181	837,681	197,778	639,903
Excess of receipts over (under) disbursements	10,000	-376,181	-366,181	508,644	874,825
Fund balance:					
January 1, 2021	1,399,655		1,399,655	1,399,655	0
December 31, 2021	1,409,655	-376,181	1,033,474	1,908,299	874,825

3RD CENT (PROMOTION)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
General sales and use taxes	207,823		207,823	358,298	150,475
Total receipts	207,823	0	207,823	358,298	150,475
Disbursements:					
Culture and Recreation:					
Senior citizens	17,000		17,000	8,773	8,227
KCC Community Center	46,469	17,000	63,469	51,111	12,358
Historical Society	20,000		20,000	20,000	0
Economic development:					
Chamber of Commerce	124,354		124,354	124,354	0
Total disbursements	207,823	17,000	224,823	204,238	20,585
Excess of receipts over (under) disbursements	0	-17,000	-17,000	154,060	171,060
Fund balance:					
January 1, 2021	646,403		646,403	646,403	0
December 31, 2021	646,403	-17,000	629,403	800,463	171,060

TOWN OF KEYSTONE

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL,
PARKING, 2ND CENT, AND 3RD CENT FUNDS FOR THE YEAR ENDING December 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town of Keystone (Town) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. 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.
- b. 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 d.
- c. 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.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2021 there were supplemental budgets to the general, 2nd, and 3rd cent funds. See page 32 and 33.
- e. Formal budgetary integration is employed as a management control device for the general, parking, 2nd cent, and 3rd cent funds.
- f. Budgets for the general, parking, 2nd cent and 3rd cent funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting is on a modified cash basis of accounting from which the budgetary comparison schedules are prepared.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund balances. However, in the budgetary schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

TOWN OF KEYSTONE
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	Town's Pension Allocation Percentage	Town's Proportionate Share of Net Pension (Asset) Liability	Town's Covered Employee Payroll for a June 30th Year End	Town's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0118240%	-90,552	268,333	(33.75%)	105.52%
June 30, 2020	0.0118890%	-516	260,933	(00.20%)	100.04%
June 30, 2019	0.0124314%	-1,317	264,317	(00.50%)	100.09%
June 30, 2018	0.0121378%	-283	252,333	(00.11%)	100.02%
June 30, 2017	0.0122634%	-1,113	249,167	(00.45%)	100.10%
June 30, 2016	0.0118125%	39,901	224,617	17.76%	96.89%
June 30, 2015	0.0125458%	-53,210	229,050	(23.23%)	104.10%
June 30, 2014	0.0134447%	-96,864	235,117	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the Town's previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF KEYSTONE
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

Town's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	Town's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2021	16,964	16,964	0	282,733	6.00%
December 31, 2020	16,483	16,483	0	274,717	6.00%
December 31, 2019	15,492	15,492	0	258,200	6.00%
December 31, 2018	16,062	16,062	0	267,700	6.00%
December 31, 2017	13,930	13,930	0	232,167	6.00%
December 31, 2016	12,334	12,334	0	205,567	6.00%
December 31, 2015	13,743	13,743	0	229,050	6.00%
December 31, 2014	14,018	14,018	0	233,633	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF KEYSTONE
DECEMBER 31, 2021

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE ONE YEAR ENDING December 31, 2021

Changes of Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 actuarial valuation.

Actuarial Method Changes:

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

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

Governing Board
Town of Keystone
Keystone, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, and each major fund, of the Town of Keystone (Town), Pennington County, South Dakota, as of December 31, 2021 and for one year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated May 24, 2023 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered Town of Keystone'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Keystone's internal control.

A *deficiency in internal control* exist 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 Town's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify a deficiency in internal control that I consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

I did note minor matters involving internal control that I reported to the governing body and management of the Town of Keystone in a separate Letter of Comments dated May 24, 2023.

Town of Keystone
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters -- Page Two

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Town of Keystone's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

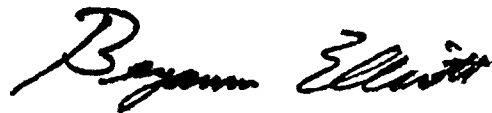
I did note minor matters involving compliance that I reported to the governing body and management of the Town of Keystone in a separate Letter of Comments dated May 24, 2023.

Purpose of this Report

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

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 24, 2023

TOWN OF KEYSTONE
SCHEDULES OF FINDINGS
December 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
None

Prior Other Audit Findings:
None reported

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Financial Statements

Type of auditor's report issued:

Unmodified on:
Governmental Activities
Business-Type Activities
All Funds

Noncompliance noted:

None Reported

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

None Reported