

TOWN OF KEYSTONE
KEYSTONE, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023
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 TWO YEARS ENDING DECEMBER 31, 2023

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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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P.O. Box 262
Madison, South Dakota 57042
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Governing Board
Town of Keystone
Keystone, South Dakota

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

Financial Statement Audit:

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, 2023, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These financial statements collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Opinions:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund of the Town of Keystone, Pennington County, South Dakota as of December 31, 2023, and the respective changes in its financial position, and cash flows were applicable, for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1c to the financial statement.

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, Pennington County, South Dakota 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 opinions.

Responsibilities of Management for the Financial Statements:

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

In preparing the modified cash basis of accounting financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Keystone'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will 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 of Keystone'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Keystone'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 Matters - Modified Cash Basis of Accounting:

I draw attention to note 1c 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 the budgetary comparison schedules (page 30 to 35) and the pension schedules (page 36 and 37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is allowed by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by 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 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.

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 liabilities (page 29) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

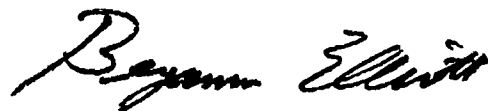
In my opinion, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2025 (page 38) 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 of Keystone'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 of Keystone's internal control over financial reporting and compliance.

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

January 21, 2025



TOWN OF KEYSTONE

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2023

	Primary Government		

	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Petty cash	303		303
Checking	2,426	14,102	16,528
Savings	1,302,311	635,936	1,938,247
Investments - SD.FIT	3,831,357	2,409,198	6,240,555
	-----	-----	-----
Total assets	5,136,397	3,059,236	8,195,633
	=====	=====	=====
 NET POSITION:			
Restricted for:			
Debt service	43,034	442,192	485,226
Promotion	1,000,769		1,000,769
Library fines	53		53
Meter deposits		3,077	3,077
Unrestricted	4,092,541	2,613,967	6,706,508
	-----	-----	-----
Total net position	5,136,397	3,059,236	8,195,633
	=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2022

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	-----				-----		
	Disbursements	Reimbursements	Contributions	Capital Contributions	Primary Government		Totals
	Charges for Services and	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities		
Primary government:							
Governmental activities:							
General government	305,235	58,776			-246,459		-246,459
Public safety	81,422				-81,422		-81,422
Public works	173,573	5,400	114,750		-53,423		-53,423
Culture and recreation	128,258	3,710			-124,548		-124,548
Economic development	247,498				-247,498		-247,498
Debt service - principal	37,657				-37,657		-37,657
Debt service - interest and fees	5,377				-5,377		-5,377
Liquor and cannabis license	6,325				-6,325		-6,325
Total governmental activities	985,345	67,886	114,750	0	-802,709	0	-802,709
Business-type activities:							
Water	210,969	367,525	31,361			187,917	187,917
Sewer	290,873	404,758				113,885	113,885
Total business-type activities	501,842	772,283	31,361	0	0	301,802	301,802
Total primary government	1,487,187	840,169	146,111	0	-802,709	301,802	-500,907
	=====	=====	=====	=====	-----	-----	-----
General receipts:							
Property taxes					118,648		118,648
Sales taxes					1,297,352		1,297,352
State shared receipts					30,848		30,848
County shared receipts					10,028		10,028
Interest received					22,205	1,427	23,632
Donations					2,651		2,651
Parking fees					46,968		46,968
Miscellaneous					5,696		5,696
Insurance settlement					39,268		39,268
Total general receipts and transfers					1,573,664	1,427	1,575,091
Change in net position					770,955	303,229	1,074,184
Net position, January 1, 2022					3,895,424	2,624,795	6,520,219
Net position, December 31, 2022					4,666,379	2,928,024	7,594,403
					=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE

BALANCE SHEET -- MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2023

	General Fund	Parking Fund	Library Fines Fund	2nd Cent (Debt) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
	-----	-----	-----	-----	-----	-----
ASSETS:						
Petty Cash	250		53			303
Checking	-5,212	324		7,314		2,426
Savings	280,026	53,748		865,879	102,658	1,302,311
Investments - SD.FIT	854,111	182,000		1,897,135	898,111	3,831,357
	-----	-----	-----	-----	-----	-----
Total assets	1,129,175	236,072	53	2,770,328	1,000,769	5,136,397
	=====	=====	=====	=====	=====	=====
FUND BALANCES:						
Nonspendable: (none)						0
Restricted for:						
Debt				43,034		43,034
Promotion					1,000,769	1,000,769
Library fines			53			53
Committed - capital projects				2,727,294		2,727,294
Assigned - parking		236,072				236,072
Unassigned	1,129,175					1,129,175
	-----	-----	-----	-----	-----	-----
Total fund balances	1,129,175	236,072	53	2,770,328	1,000,769	5,136,397 *
	=====	=====	=====	=====	=====	=====

* 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, 2023

	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				111,119		111,119
General sales and use taxes	512,335			512,335	316,624	1,341,294
Licenses and permits:	39,933					39,933
Intergovernmental receipts:						
State shared receipts:						
Bank franchise	1,582					1,582
Prorate						0
Liquor tax reversion	1,649					1,649
Motor vehicle license	8,210					8,210
Highway and bridge	20,016					20,016
County shared receipts:						
Library services	10,330					10,330
Water District grant	10,000					10,000
Charges for goods and services:						
General government	354					354
Cemetery lots	6,500					6,500
Library			2,610			2,610
Community Center	7,534					7,534
Fines and forfeits:	75					75
Miscellaneous receipts:						
Interest received	59,396			59,360	59,360	178,116
Donations - library	2,468					2,468
Parking fees		48,655				48,655
Other	14,637	1,667			2,375	18,679
Total receipts	695,019	50,322	2,610	682,814	378,359	1,809,124
Disbursements:						
General government:						
Governing Board	17,252					17,252
Elections	431					431
Financial administration	121,027					121,027
Other	175,343					175,343
Public safety:						
Police	87,935					87,935
Public works:						
Highways and streets	127,789					127,789
Cemetery	5,218					5,218
Parking		213				213
Water source				76,028		76,028
Culture and recreation:						
Parks and recreation	9,752					9,752
Library	73,508		3,763			77,271
KCC Community Center	5,155				49,700	54,855
Senior Citizens	10,200					10,200
Historical Society					20,000	20,000
Economic development:						
Chamber of Commerce					184,399	184,399
Debt service:						
Principal				38,896		38,896
Interest and fees				4,138		4,138
Liquor license	3,300					3,300
Capital outlay	6,892			318,167		325,059
Total disbursements	643,802	213	3,763	437,229	254,099	1,339,106
Excess of receipts over (under) disbursements	51,217	50,109	-1,153	245,585	124,260	470,018
Other financing sources (uses):						
None						0
Net change in fund balances	51,217	50,109	-1,153	245,585	124,260	470,018 *
Fund balances:						
January 1, 2023	1,077,958	185,963	1,206	2,524,743	876,509	4,666,379
December 31, 2023	1,129,175	236,072	53	2,770,328	1,000,769	5,136,397

* Equals change in net position on
Statement of Activities
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, 2022

	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				118,648		118,648
General sales and use taxes	498,748			498,749	299,855	1,297,352
Licenses and permits:	56,589					56,589
Intergovernmental receipts:						
Federal grant - disaster				114,750		114,750
State shared receipts:						
Bank franchise	1,549					1,549
Prorate	778					778
Liquor tax reversion	1,682					1,682
Motor vehicle license	7,373					7,373
Highway and bridge	19,466					19,466
County shared receipts:						
Library services	10,028					10,028
Charges for goods and services:						
General government	117					117
Cemetery lots	5,400					5,400
Library			2,585			2,585
Community Center	1,125					1,125
Fines and forfeits:	2,070					2,070
Miscellaneous receipts:						
Interest received	22,205					22,205
Donations - library	2,651					2,651
Parking fees		46,968				46,968
Other	4,641				1,055	5,696
Total receipts	634,422	46,968	2,585	732,147	300,910	1,717,032
Disbursements:						
General government:						
Governing Board	19,679					19,679
Elections	727					727
Financial administration	110,617					110,617
Other	174,212					174,212
Public safety:						
Police	81,422					81,422
Public works:						
Highways and streets	119,726					119,726
Cemetery	4,057					4,057
Parking		4,592				4,592
Water source				72,669		72,669
Culture and recreation:						
Parks and recreation	1,448					1,448
Library	67,006		2,599			69,605
KCC Community Center	1,025				29,921	30,946
Historical Society					20,114	20,114
Economic development:						
Chamber of Commerce					174,829	174,829
Debt service:						
Principal				37,657		37,657
Interest and fees				5,377		5,377
Liquor and cannabis license	6,325					6,325
Capital outlay	51,343					51,343
Total disbursements	637,587	4,592	2,599	115,703	224,864	985,345
Excess of receipts over (under) disbursements	-3,165	42,376	-14	616,444	76,046	731,687
Other financing sources (uses):						
Insurance settlement	39,268					39,268
Net change in fund balances	36,103	42,376	-14	616,444	76,046	770,955 *
Fund balances:						
January 1, 2022	1,041,855	143,587	1,220	1,908,299	800,463	3,895,424
December 31, 2022	1,077,958	185,963	1,206	2,524,743	876,509	4,666,379

* 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, 2023

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS:			
Current assets:			
Checking		14,102	14,102
Savings	140,160	495,776	635,936
Investments - SD.FIT	1,127,201	1,281,997	2,409,198
	-----	-----	-----
Total assets	1,267,361	1,791,875	3,059,236
	=====	=====	=====
NET POSITION			
Restricted for:			
Debt service	80,238	361,954	442,192
Meter deposits	3,077		3,077
Unrestricted	1,184,046	1,429,921	2,613,967
	-----	-----	-----
Total net position	1,267,361	1,791,875	3,059,236
	=====	=====	=====

See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Water Fund	Sewer Fund	2023 Total	Water Fund	Sewer Fund	2022 Total
Operating receipts:						
Charges for goods and services	323,553	407,400	730,953	367,525	404,758	772,283
Total operating receipts	323,553	407,400	730,953	367,525	404,758	772,283
Operating disbursements:						
Personal services	85,404	130,924	216,328	87,521	125,592	213,113
Other current services	89,347	128,759	218,106	101,437	136,658	238,095
Improvements	262,819		262,819	15,659		15,659
Total operating disbursements	437,570	259,683	697,253	204,617	262,250	466,867
Excess of operating receipts over operating disbursements	-114,017	147,717	33,700	162,908	142,508	305,416
Nonoperating receipts (disbursements):						
Interest earnings	63,904	68,582	132,486	388	1,039	1,427
Debt service - principle	-3,857	-17,415	-21,272	-3,744	-16,903	-20,647
- interest	-2,494	-11,208	-13,702	-2,608	-11,720	-14,328
Total nonoperating receipts (disbursements)	57,553	39,959	97,512	-5,964	-27,584	-33,548
Income (loss) before contributions	-56,464	187,676	131,212	156,944	114,924	271,868
Consolidated grant			0	31,361		31,361
Change in Net Assets	-56,464	187,676	131,212	188,305	114,924	303,229
Net position:						
January 1, 2022				1,135,520	1,489,275	2,624,795
December 31, 2022	1,323,825	1,604,199	2,928,024	1,323,825	1,604,199	2,928,024
December 31, 2023	1,267,361	1,791,875	3,059,236			

See accompanying notes.

TOWN OF KEYSTONE

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Water Fund -----	Sewer Fund -----	2023 Total -----	Water Fund -----	Sewer Fund -----	2022 Total -----
Cash flows from:						
Operating activities:						
Receipts from customers	319,053	402,900	721,953	363,025	400,258	763,283
Interfund services provided, est	4,500	4,500	9,000	4,500	4,500	9,000
Cost of employees	-85,404	-130,924	-216,328	-87,521	-125,592	-213,113
Payments to suppliers	-89,347	-128,759	-218,106	-101,437	-136,658	-238,095
Payments for improvements	-262,819		-262,819	-15,659		-15,659
Net cash provided (used) by operating activities	----- -114,017	----- 147,717	----- 33,700	----- 162,908	----- 142,508	----- 305,416
Noncapital financing activities:						
Consolidated grant			0	31,361		31,361
Capital financing activities:						
Debt service - principle	-3,857	-17,415	-21,272	-3,744	-16,903	-20,647
- interest	-2,494	-11,208	-13,702	-2,608	-11,720	-14,328
Investing activities:						
Interest received	63,904	68,582	132,486	388	1,039	1,427
Purchase of SD.FIT investments	-1,127,201	-1,281,997	-2,409,198			0
Net increase (decrease) in cash and cash equivalents	----- -1,183,665	----- -1,094,321	----- -2,277,986	----- 188,305	----- 114,924	----- 303,229
Cash and cash equivalents:						
January 1, 2022				1,135,520	1,489,275	2,624,795
December 31, 2022	1,323,825	1,604,199	2,928,024	1,323,825	1,604,199	2,928,024
December 31, 2023	=====	=====	=====	=====	=====	=====
December 31, 2023	140,160	509,878	650,038			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Excess operating receipts or (disbursements)	-114,017	147,717	33,700	162,908	142,508	305,416
Net cash provided (used) by operating activities	----- -114,017	----- 147,717	----- 33,700	----- 162,908	----- 142,508	----- 305,416
Noncash investing, capital and financing activities: None						

See accompanying notes.

TOWN OF KEYSTONE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 are:

President:	Finance Officer:
Sandra McLain	Samantha Epler
Trustees:	Attorney:
Nikki Ball	Mitchell Johnson
Matthew Fullilove	
Casey McNulty	
Will Parks	

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 financial statements 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 2022 or 2023.

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 "Net Position - Restricted".

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 Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Debt	Covenants	43,034
	Library Fines	Statute	53
	3rd Cent: Promotion	Statute	1,000,769
Committed	2nd Cent: Capital projects	Ordinance	2,727,294
Assigned	Parking	Finance Officer	236,072
Unassigned	General		1,129,175

			5,136,397

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 8 and 9)
* 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

Budget Overdrafts:

The Town is prohibited by statute from spending in excess of appropriated amounts by department within a fund.

Reported budget overdrafts are:

2023: 2 nd Cent Fund/public works/flood mitigation	13,362
3 rd Cent Fund/culture and recreation/Community Center	9,751
2022: 2 nd Cent Fund/public works/flood mitigation	32,669

However, these are not considered a significant violation of a departmental expenditure compared to appropriations. In the future, the Town expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

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, 2023 were as follows: Insured \$274,064, Collateralized ** \$1,688,247, for a total of \$1,962,311.

** 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, 2023 was \$1,954,775 held as follows.

1st Interstate Bank, (Hill City, SD):	
Checking	\$ 16,528
Savings	1,938,247

	\$ 1,954,775
Petty cash	303

	\$ 1,955,078
	=====

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.

At December 31, 2023, the Town had the following investment:

	Credit		Fair	Interest
	Rating	Maturities	Value	Rate
				Risk
South Dakota FIT: (100%)				
Govt. Cash Reserve Money Market	Unrated	NA	\$6,240,555	note 1 note 2

		Total investments	\$6,240,555	

notes

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk.
- 2 South Dakota FIT is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SD.FIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Investment Credit 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 Investment Credit Risk - The risk that, in the event of failure of the counterparty to a transaction, the Town will not be able to recover the value of investment or collateral securities that are in possession of an outside party. At December 31, 2023, the Town's investments in financial institutions were not exposed to investment custodial credit risk.

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.

Concentration of Credit Risk - The Town places no limit on the amount that may be deposited or invested in any one institution. At December 31, 2023, the Town has its cash deposits at First Interstate Bank and investments at South Dakota Public Fund Investment Trust.

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.

5. RESTRICTED NET POSITION

The following table shows the December 31, 2023 net position restricted for specific purposes as shown on the Statement of Net Position

Purpose:	Restricted By:	Governmental	Business-Type
Debt	Covenants	43,034	442,192
Promotion	Statute	1,000,769	
Library fines	Statute	53	
Meter deposits	Contracts		3,077
		-----	-----
	Total Restricted Net Position	1,043,856	445,269

6. INTERFUND TRANSFERS

There were no interfund transfers in 2022 or 2023.

7. LONG-TERM LIABILITIES (see schedule one)

A summary of changes in long-term liabilities is presented as supplementary information on page 29. The Town has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

8. REVENUES PLEDGED TO SECURE DEBT (See also page 29)

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a 2017 Consolidated Water Facilities Construction Program Revenue Bond with a remaining balance of \$80,238. The bond will mature in 2037. In 2023 the water fund had net revenue of \$148,802 before capital asset cost and payments of \$6,351 on this bond.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a 2017 Clean Water Revenue Borrower Bond with a remaining balance of \$362,659. The bond will mature in 2039. In 2023 the sewer fund had net revenue of \$147,717 before capital asset cost and payments of \$28,623 on this bond.

9. 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 Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDFRS 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. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

Benefits Provided:

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

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

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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 greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent. All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, 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, 2023, 2022 and 2021 were \$19,474, \$16,765, and \$16,964 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

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

Proportionate share of total pension liability	\$ 1,794,527
Less: Proportionate share of net position restricted for pension benefits	(1,795,736)

Proportionate share of net pension (asset)/liability	\$ (1,209)
	=====

The net pension (asset) was measured as of June 30, 2023 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Town's proportion was .000123840 which is an increase of .00000469 over its proportion measured as of June 30, 2022.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010
Other Class A Members: Pub G-2010
Public Safety Members: Pub S-2010

Retired Members:

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

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

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

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

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, 2023 (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
Public Equity	56.3%	3.8%
Investment grade debt	22.8%	1.7%
High Yield debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9	0.8%

	100.0%	
	=====	

Discount Rate:

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

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

The following presents the Town's proportionate share of the net pension (asset)/liability 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 the 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	\$247,748	\$(1,209)	\$(204,808)

Pension Plan Fiduciary Net Position:

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

10. 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.

11. 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, 2023 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 two years ending December 31, 2023 and none are expected in 2024.

12. TAX ABATEMENTS

As of December 31, 2023 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.

13. LITIGATION

At December 31, 2023, 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.

14. RELATED ORGANIZATIONS

Keystone Area Historical Society:

The Keystone Area Historical Society received \$20,114 in 2022 and \$20,000 in 2023 of 3rd Cent sales tax subsidy from the Town of Keystone. 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 \$174,829 in 2022 and \$184,399 in 2023 of 3rd Cent sales tax subsidy from the Town of Keystone. The Town does not appointed the Chamber's governing board. 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 a \$10,200 subsidy from the Town of Keystone in 2023. The Town does not appointed the Senior Citizen's governing board. 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 Commission. 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, 2023:

	12-31-23 UNAUDITED 12 months (not available)	12-31-22 UNAUDITED 12 months (not available)	12-31-21 UNAUDITED 12 months
	-----	-----	-----
Current assets	69,117	87,677	70,535
Current liabilities	(7,985)	(37,826)	(12,407)
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	(290,735)	(296,545)	(305,955)
	-----	-----	-----
Net position	(36,984)	(54,075)	(55,208)
	=====	=====	=====
Rents	34,577	34,722	32,713
RD rental assistance	28,409	31,767	31,709
RECD interest subsidy	14,921	14,921	14,921
Other income	5,594	4,397	4,016
Expenses	(82,480)	(89,480)	(86,471)
Depreciation	0	0	0
	-----	-----	-----
Operating income (loss)	1,021	(3,673)	(3,112)
Beginning net position	(54,075)	(55,208)	(53,864)
Prior period adjustment	16,070	4,806	1,768
	-----	-----	-----
Ending net position	(36,984)	(54,075)	(55,208)
	=====	=====	=====

15. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Town does not operate a landfill.

In February 2024 the Town received a \$76,274 from a BIG grant.

TOWN OF KEYSTONE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Beginning 12-31-21	Additions (Deletions) 2022	Additions (Deletions) 2023	Governmental	Business-Type	Principal Due in 2024
				Activities Ending 12-31-23	Activities Ending 12-31-23	
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 fur	179,482	-37,656	-38,896	102,930		40,175
	-----	-----	-----	-----		-----
Totals	<u>179,482</u>	<u>-37,656</u>	<u>-38,896</u>	<u>102,930</u>		<u>40,175</u>

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	396,977	-16,903	-17,415		362,659	17,743
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	87,839	-3,744	-3,857		80,238	3,974
	-----	-----	-----		-----	-----
Totals	<u>484,816</u>	<u>-20,647</u>	<u>-21,272</u>		<u>442,897</u>	<u>21,717</u>

Payment Schedules:	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2004 Sales Tax Revenue SRF Loan:				
2024	43,034	40,175	2,859	62,755
2025	43,034	41,497	1,537	21,258
2026	21,517	21,258	259	0
	-----	-----	-----	-----
Totals	<u>107,585</u>	<u>102,930</u>	<u>4,655</u>	

2017 Clean Water Revenue Borrower Bond:				
2024	28,623	17,743	10,880	344,916
2025	28,623	18,276	10,347	326,640
2026	28,623	18,824	9,799	307,816
2027	28,623	19,388	9,235	288,428
2028	28,623	19,970	8,653	268,458
2029-2033	143,114	109,204	33,910	159,254
2034-2038	143,114	126,598	16,516	32,656
2039-2040	33,786	32,656	1,130	0
	-----	-----	-----	-----
Totals	<u>463,129</u>	<u>362,659</u>	<u>100,470</u>	

2017 Consolidated Water Facilities Construction Program Revenue Bond:				
2024	6,351	3,974	2,377	76,264
2025	6,351	4,094	2,257	72,170
2026	6,351	4,218	2,133	67,952
2027	6,351	4,345	2,006	63,607
2028	6,351	4,476	1,875	59,131
2029-2033	31,756	24,494	7,262	34,637
2034-2038	31,756	28,426	3,330	6,211
2039-2040	6,351	6,211	140	0
	-----	-----	-----	-----
Totals	<u>101,618</u>	<u>80,238</u>	<u>21,380</u>	

TOWN OF KEYSTONE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2023

GENERAL FUND	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplemental:			Final
Receipts:						
Taxes	430,000			430,000	512,335	82,335
Licenses and permits	59,000			59,000	39,933	-19,067
State shared receipts	8,000			8,000	31,457	23,457
County shared receipts	36,000			36,000	10,330	-25,670
Water District grant				0	10,000	10,000
Charges for goods and servic	4,700			4,700	14,388	9,688
Fines and forfeits	2,000			2,000	75	-1,925
Interest	3,000			3,000	59,396	56,396
Donations - Library				0	2,468	2,468
Miscellaneous				0	14,637	14,637
Total receipts	542,700	0	0	542,700	695,019	152,319
Disbursements:						
General government:						
Governing Board	23,250			23,250	17,252	5,998
Contingency	35,000			35,000		35,000
Amount transferred		-12,904		-12,904		-12,904
Elections	800			800	431	369
Financial administration	119,726	2,127		121,853	121,027	826
Other	91,563	3,402	80,378	175,343	175,343	0
Public safety:						
Police	87,935			87,935	87,935	0
Public works:						
Highways and streets	149,780			149,780	127,789	21,991
Cemetery	2,000	3,218		5,218	5,218	0
Culture and recreation:						
Parks and recreation	5,750	4,002		9,752	9,752	0
Library	84,014			84,014	80,400	3,614
Community Center	5,000	155		5,155	5,155	0
Senior Citizens	10,200			10,200	10,200	0
Miscellaneous:						
Liquor and cannabis	14,000			14,000	3,300	10,700
Total disbursements	629,018	0	80,378	709,396	643,802	65,594
Excess of receipts over (under) disbursements	-86,318	0	-80,378	-166,696	51,217	217,913
Other financing sources (uses):						
Transfer	115,011			115,011		-115,011
Net change in fund balance	28,693	0	-80,378	-51,685	51,217	102,902
Fund balance:						
January 1, 2023	1,077,958			1,077,958	1,077,958	0
December 31, 2023	1,106,651	0	-80,378	1,026,273	1,129,175	102,902

TOWN OF KEYSTONE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplemental:			Final
Receipts:						
Taxes	430,000			430,000	498,748	68,748
Licenses and permits	59,000			59,000	56,589	-2,411
State shared receipts	8,000			8,000	30,848	22,848
County shared receipts	36,000			36,000	10,028	-25,972
Charges for goods and servic	4,700			4,700	6,642	1,942
Fines and forfeits	2,000			2,000	2,070	70
Interest	3,000			3,000	22,205	19,205
Donations - Library	0			0	2,651	2,651
Miscellaneous	0			0	4,641	4,641
Total receipts	542,700	0	0	542,700	634,422	91,722
Disbursements:						
General government:						
Governing Board	19,000	1,250		20,250	19,679	571
Contingency	35,000			35,000		35,000
Amount transferred		-3,780		-3,780		-3,780
Elections	600	130		730	727	3
Financial administration	117,550			117,550	110,617	6,933
Other	87,209	300	112,000	199,509	174,212	25,297
Public safety:						
Police	81,563			81,563	81,422	141
Public works:						
Highways and streets	264,300			264,300	164,924	99,376
Cemetery	2,000	2,100		4,100	4,057	43
Culture and recreation:						
Parks and recreation	4,250			4,250	1,448	2,802
Library	81,007			81,007	73,151	7,856
Community Center	5,000			5,000	1,025	3,975
Miscellaneous:						
Liquor and cannabis license	14,000			14,000	6,325	7,675
Total disbursements	711,479	0	112,000	823,479	637,587	185,892
Excess of receipts over (under) disbursements	-168,779	0	-112,000	-280,779	-3,165	277,614
Other financing sources (uses):						
Insurance settlement				0	39,268	39,268
Transfers	168,611			168,611		-168,611
Net change in fund balance	-168	0	-112,000	-112,168	36,103	148,271
Fund balance:						
January 1, 2022	1,041,855			1,041,855	1,041,855	0
December 31, 2022	1,041,687	0	-112,000	929,687	1,077,958	148,271

TOWN OF KEYSTONE
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

PARKING	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplementa	Final		
Receipts:					
Parking fees	45,000		45,000	48,655	3,655
Other	0		0	1,667	1,667
Total receipts	45,000	0	45,000	50,322	5,322
Disbursements:					
Public works: Parking	1,300		1,300	213	1,087
Total disbursements	1,300	0	1,300	213	1,087
Excess of receipts over (under) disbursements	43,700	0	43,700	50,109	6,409
Other financing sources (uses):					
None	0				
Net change in fund balance	43,700	0	43,700	50,109	6,409
Fund balance:					
January 1, 2023	185,963		185,963	185,963	0
December 31, 2023	229,663	0	229,663	236,072	6,409

PARKING	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplementa	Final		
Receipts:					
Parking fees	50,000		50,000	46,968	-3,032
Total receipts	50,000	0	50,000	46,968	-3,032
Disbursements:					
Public works: Parking	50,000		50,000	4,592	45,408
Total disbursements	50,000	0	50,000	4,592	45,408
Excess of receipts over (under) disbursements	0	0	0	42,376	42,376
Other financing sources (uses):					
None	0				
Net change in fund balance	0	0	0	42,376	42,376
Fund balance:					
January 1, 2022	143,587		143,587	143,587	0
December 31, 2022	143,587	0	143,587	185,963	42,376

TOWN OF KEYSTONE
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

2ND CENT (DEBT SERVICE)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Taxes	409,728		409,728	623,454	213,726
Grants	121,500		121,500		-121,500
Interest			0	59,360	59,360
Total receipts	531,228	0	531,228	682,814	151,586
Disbursements:					
Public works:					
Flood mitigation	4,500	58,166	62,666	76,028	-13,362
Parks	905,000		905,000	318,167	586,833
Debt service:					
Sewer payment	34,660		34,660		34,660
2004 SRF loan	43,034	1	43,035	43,034	1
Total disbursements	987,194	58,167	1,045,361	437,229	608,132
Other financing sources (uses):					
Transfers	455,966	-58,167	397,799		-397,799
Excess of receipts over (under) disbursements	0	-116,334	-116,334	245,585	361,919
Fund balance:					
January 1, 2023	2,524,743		2,524,743	2,524,743	0
December 31, 2023	2,524,743	-116,334	2,408,409	2,770,328	361,919

2ND CENT (DEBT SERVICE)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Taxes	425,000		425,000	617,397	192,397
Grants	121,500		121,500	114,750	-6,750
Total receipts	546,500	0	546,500	732,147	185,647
Disbursements:					
Public works:					
Flood mitigation	40,000		40,000	72,669	-32,669
Parks	905,000		905,000		905,000
Debt service:					
Sewer payment	34,660		34,660		34,660
2004 SRF loan	43,034		43,034	43,034	0
Total disbursements	1,022,694	0	1,022,694	115,703	906,991
Other financing sources (uses):					
Transfers	476,194	0	476,194		-476,194
Excess of receipts over (under) disbursements	0	0	0	616,444	616,444
Fund balance:					
January 1, 2022	1,908,299		1,908,299	1,908,299	0
December 31, 2022	1,908,299	0	1,908,299	2,524,743	616,444

TOWN OF KEYSTONE
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

3RD CENT (PROMOTION)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplementa	Final		
Receipts:					
Receipts from local sources:					
Taxes	263,816		263,816	316,624	52,808
Interest			0	59,360	59,360
Other			0	2,375	2,375
Total receipts	263,816	0	263,816	378,359	114,543
Disbursements:					
Culture and Recreation:					
Promotion	28,167		28,167		28,167
KCC Community Center	36,500	3,449	39,949	49,700	-9,751
Historical Society	20,000		20,000	20,000	0
Economic development:					
Chamber of Commerce	179,149	5,250	184,399	184,399	0
Total disbursements	263,816	8,699	272,515	254,099	18,416
Other financing sources (uses):					
Transfers			0		0
Excess of receipts over (under) disbursements	0	-8,699	-8,699	124,260	132,959
Fund balance:					
January 1, 2023	876,509		876,509	876,509	0
December 31, 2023	876,509	-8,699	867,810	1,000,769	132,959

3RD CENT (PROMOTION)	Budget Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Supplementa	Final		
Receipts:					
Receipts from local sources:					
Taxes	250,000		250,000	299,855	49,855
Other			0	1,055	1,055
Total receipts	250,000	0	250,000	300,910	50,910
Disbursements:					
Culture and Recreation:					
Promotion	19,500		19,500		19,500
KCC Community Center	35,671		35,671	29,921	5,750
Historical Society	70,000		70,000	20,114	49,886
Economic development:					
Chamber of Commerce	174,829		174,829	174,829	0
Total disbursements	300,000	0	300,000	224,864	75,136
Other financing sources (uses):					
Transfers	50,000		50,000		-50,000
Excess of receipts over (under) disbursements	0	0	0	76,046	76,046
Fund balance:					
January 1, 2022	800,463		800,463	800,463	0
December 31, 2022	800,463	0	800,463	876,509	76,046

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 TWO YEARS ENDING DECEMBER 31, 2023

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 2022 and 2023 there were supplemental budgets to the general, 2nd, and 3rd cent funds. See page 30, 31, 33, and 34.
- 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 TEN YEARS ENDING DECEMBER 31, 2023

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 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 Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0123840%	-1,209	319,433	(0.38%)	100.10%
June 30, 2022	0.0119150%	-1,126	284,500	(0.40%)	100.10%
June 30, 2021	0.0118240%	-90,552	268,333	(33.75%)	105.52%
June 30, 2020	0.0118890%	-516	260,933	(0.20%)	100.04%
June 30, 2019	0.0124314%	-1,317	264,317	(0.50%)	100.09%
June 30, 2018	0.0121378%	-283	252,333	(0.11%)	100.02%
June 30, 2017	0.0122634%	-1,113	249,167	(0.45%)	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.

TOWN OF KEYSTONE
FOR THE TEN YEARS ENDING DECEMBER 31, 2023

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, 2023	19,474	19,474	0	324,567	6.00%
December 31, 2022	16,765	16,765	0	279,417	6.00%
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.

TOWN OF KEYSTONE
DECEMBER 31, 2023

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY AND
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING December 31, 2023

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Method Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

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

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

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

Governing Board
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 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, 2023 and for each year in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Town of Keystone's basic financial statements and have issued my report thereon dated January 21, 2025 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered the 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 the 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 also noted 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 January 21, 2025.

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, and contracts noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of 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*.

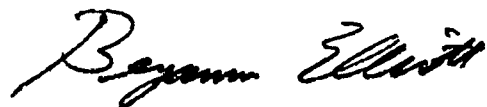
I did note minor matters involving compliance that I reported to the governing body and management of the Town of Keystone in a separate Letter of Comments dated January 21, 2025.

Purpose of this Report

The purpose of this 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. 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



January 21, 2025

TOWN OF KEYSTONE
SCHEDULES OF FINDINGS
DECEMBER 31, 2023

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