

**Municipality of Kimball**

**Independent Auditor's Report  
and Financial Statements**

**For the Years Ended  
December 31, 2022 and 2021**

# Municipality of Kimball

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Council Members  
Municipality of Kimball, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the Municipality of Kimball, South Dakota, as of and for the years in the biennial period ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipality’s basic financial statements, and have issued our report thereon dated March 26, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "CIO of LLC". The signature is written in a cursive, slightly slanted style.

Chamberlain, South Dakota  
March 26, 2024



## Independent Auditor's Report

To the Council Members  
Municipality of Kimball, South Dakota

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Kimball, South Dakota, as of December 31, 2022 and 2021, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Municipality of Kimball as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

#### Basis for Opinions

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

#### Emphasis of Matter

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

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

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

## Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "CIO of LLC".

Chamberlain, South Dakota  
March 26, 2024

**Municipality of Kimball**  
Statement of Net Position – Modified Cash Basis  
For the Year December 31, 2022 and December 31, 2021

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	<b>December 31, 2022</b>		
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,780,440	\$ 104,438	\$ 1,884,878
Total Assets	\$ 1,780,440	\$ 104,438	\$ 1,884,878

<b>Fund Balances</b>			
Unassigned	\$ 1,780,440	\$ 104,438	\$ 1,884,878
Total Fund Balances	\$ 1,780,440	\$ 104,438	\$ 1,884,878

	<b>December 31, 2021</b>		
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,467,340	\$ 71,592	\$ 1,538,932
Total Assets	\$ 1,467,340	\$ 71,592	\$ 1,538,932
<b>Fund Balances</b>			
Unassigned	\$ 1,467,340	\$ 71,592	\$ 1,538,932
Total Fund Balances	\$ 1,467,340	\$ 71,592	\$ 1,538,932

The accompanying Notes to Financial Statements are an integral part of this statement.



**Municipality of Kimball**  
Statement of Activities – Modified Cash Basis  
For the Year December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 220,101	\$ 72,151	\$ --	\$ 63,501	\$ (84,449)	\$ --	\$ (84,449)
Public safety	76,709	--	--	--	(76,709)	--	(76,709)
Public works	117,373	56,702	--	--	(60,671)	--	(60,671)
Health and welfare	15,078	--	--	--	(15,078)	--	(15,078)
Culture and recreation	124,247	9,745	--	--	(114,502)	--	(114,502)
Conservation and development	11,339	--	--	--	(11,339)	--	(11,339)
Total Governmental Activities	564,847	138,598	--	63,501	(362,748)	--	(362,748)
Business-type Activities:							
Water	147,709	162,671	--	--	--	14,962	14,962
Sewer	341,204	117,754	--	--	--	(223,450)	(223,450)
Total Business-Type Activities	488,913	280,425	--	--	--	(208,488)	(208,488)
Total Primary Government	\$ 1,053,760	\$ 419,023	\$ --	\$ 63,501	(362,748)	(208,488)	(571,236)
General Revenues:							
Taxes:							
Property tax					205,469	--	205,469
Sales tax					602,388	--	602,388
State shared revenues					10,054	--	10,054
Unrestricted investment earnings					10,348	136	10,484
Transfers					(173,604)	173,604	--
Miscellaneous revenue					54,039	--	54,039
Total General Revenues and Transfers					708,694	173,740	882,434
Change in Net Position					345,946	(34,748)	311,198
<b>Net Position-Beginning of Year</b>					1,538,932	59,706	1,598,638
<b>Net Position-End of Year</b>					\$ 1,884,878	\$ 24,958	\$ 1,909,836

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Activities – Modified Cash Basis  
For the Year December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 150,687	\$ 90,427	\$ 104,290	\$ --	\$ 44,030	\$ --	\$ 44,030
Public safety	101,752	--	--	--	(101,752)	--	(101,752)
Public works	273,146	57,951	--	--	(215,195)	--	(215,195)
Health and welfare	15,598	--	--	--	(15,598)	--	(15,598)
Culture and recreation	147,382	13,170	--	--	(134,212)	--	(134,212)
Conservation and development	107,302	--	--	--	(107,302)	--	(107,302)
Total Governmental Activities	795,867	161,548	104,290	--	(530,029)	--	(530,029)
Business-type Activities:							
Water	341,349	149,000	--	50,000	--	(142,349)	(142,349)
Sewer	1,064,592	113,834	--	--	--	(950,758)	(950,758)
Total Business-Type Activities	1,405,941	262,834	--	50,000	--	(1,093,107)	(1,093,107)
Total Primary Government	\$ 2,201,808	\$ 424,382	\$ 104,290	\$ 50,000	(530,029)	(1,093,107)	(1,623,136)
General Revenues:							
Taxes:							
Property tax					205,661	--	205,661
Sales tax					654,816	--	654,816
State shared revenues					10,467	--	10,467
Unrestricted investment earnings					2,759	107	2,866
Debt Issued					--	900,000	900,000
Transfers					(137,000)	137,000	--
Miscellaneous revenue					2,079	--	2,079
Total general Revenues and Transfers					738,782	1,037,107	1,775,889
Change in Net Position					208,753	(56,000)	152,753
<b>Net Position-Beginning of Year</b>					1,330,179	115,706	1,445,885
<b>Net Position-End of Year</b>					\$ 1,538,932	\$ 59,706	\$ 1,598,638

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
 Balance Sheet – Modified Cash Basis  
 Governmental Funds  
 December 31, 2022 and 2021

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	<b>December 31, 2022</b>		
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,780,440	\$ 104,438	\$ 1,884,878
Total Assets	\$ 1,780,440	\$ 104,438	\$ 1,884,878
<b>Fund Balances</b>			
Unassigned	\$ 1,780,440	\$ 104,438	\$ 1,884,878
Total Fund Balances	\$ 1,780,440	\$ 104,438	\$ 1,884,878
	<b>December 31, 2021</b>		
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,467,340	\$ 71,592	\$ 1,538,932
Total Assets	\$ 1,467,340	\$ 71,592	\$ 1,538,932
<b>Fund Balances</b>			
Unassigned	\$ 1,467,340	\$ 71,592	\$ 1,538,932
Total Fund Balances	\$ 1,467,340	\$ 71,592	\$ 1,538,932

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis  
Governmental Funds  
For the Year December 31, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes:			
General property taxes	\$ 205,469	\$ --	\$ 205,469
General sales and use taxes	565,388	37,000	602,388
Licenses and permits	10,410	--	10,410
Intergovernmental:			
State Grants	63,501	--	63,501
Bank franchise tax	2,603	--	2,603
Motor vehicle commercial prorate	3,443	--	3,443
Liquor tax reversion	4,008	--	4,008
Motor vehicle licenses	15,465	--	15,465
Local government highway and bridge fund	37,586	--	37,586
County road tax (25%)	1,451	--	1,451
County wheel tax	2,200	--	2,200
Charges for goods and services	9,745	--	9,745
Miscellaneous revenue:			
Investment earnings	9,778	570	10,348
Rentals	61,741	--	61,741
Other	54,039	--	54,039
<b>Total Revenue</b>	<u>1,046,827</u>	<u>37,570</u>	<u>1,084,397</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative	44,656	--	44,656
Executive	56,992	--	56,992
Elections	1,268	--	1,268
Financial administration	92,062	--	92,062
Other	25,123	--	25,123
Public safety:			
Police	56,755	--	56,755
Fire	19,954	--	19,954
Public works:			
Highways and streets	112,632	--	112,632
Sanitation	2,910	--	2,910
Airport	1,831	--	1,831
Health and welfare:			
Health	4,796	--	4,796
Ambulance	3,765	--	3,765
Other	6,517	--	6,517
Culture and recreation			
Recreation	80,982	--	80,982
Libraries	43,265	--	43,265
Conservation and development:			
Economic development and assistance (industrial development)	6,615	4,724	11,339
<b>Total Expenditures</b>	<u>560,123</u>	<u>4,724</u>	<u>564,847</u>
<b>Excess of Revenues Over Expenditures</b>	<u>486,704</u>	<u>32,846</u>	<u>519,550</u>
Other Financing Sources (Uses):			
Transfers out	(173,604)	--	(173,604)
<b>Total Other Financing Sources (Uses)</b>	<u>(173,604)</u>	<u>--</u>	<u>(173,604)</u>
<b>Net Change in Fund Balance</b>	313,100	32,846	345,946
<b>Fund Balance - Beginning of Year</b>	<u>1,467,340</u>	<u>71,592</u>	<u>1,538,932</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,780,440</u>	<u>\$ 104,438</u>	<u>\$ 1,884,878</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis  
Governmental Funds  
For the Year December 31, 2021

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes:			
General property taxes	\$ 205,661	\$ --	\$ 205,661
General sales and use taxes	633,058	21,758	654,816
Licenses and permits	27,405	--	27,405
Intergovernmental:			
State Grants	104,290	--	104,290
Bank franchise tax	2,276	--	2,276
Motor vehicle commercial prorate	3,291	--	3,291
Liquor tax reversion	4,900	--	4,900
Motor vehicle licenses	15,562	--	15,562
Local government highway and bridge fund	37,287	--	37,287
County road tax (25%)	2,902	--	2,902
County wheel tax	2,200	--	2,200
Charges for goods and services	13,170	--	13,170
Miscellaneous revenue:			
Investment earnings	2,516	243	2,759
Rentals	63,022	--	63,022
Other	2,079	--	2,079
<b>Total Revenue</b>	<u>1,119,619</u>	<u>22,001</u>	<u>1,141,620</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative	61,781	--	61,781
Financial administration	88,906	--	88,906
Other			
Public safety:			
Police	83,067	--	83,067
Fire	18,685	--	18,685
Public works:			
Highways and streets	266,886	--	266,886
Sanitation	4,084	--	4,084
Airport	2,176	--	2,176
Health and welfare:			
Health	7,029	--	7,029
Ambulance	2,679	--	2,679
Other	5,890	--	5,890
Culture and recreation			
Recreation	104,385	--	104,385
Libraries	42,997	--	42,997
Conservation and development:			
Economic development and assistance (industrial development)	104,242	3,060	107,302
Total Expenditures	<u>792,807</u>	<u>3,060</u>	<u>795,867</u>
<b>Excess of Revenues Over Expenditures</b>	<u>326,812</u>	<u>18,941</u>	<u>345,753</u>
Other Financing Sources (Uses):			
Transfers in	94,758	--	94,758
Transfers out	(167,100)	(64,658)	(231,758)
<b>Total Other Financing Sources (Uses)</b>	<u>(72,342)</u>	<u>(64,658)</u>	<u>(137,000)</u>
<b>Net Change in Fund Balance</b>	254,470	(45,717)	208,753
<b>Fund Balance - Beginning of Year</b>	<u>1,212,870</u>	<u>117,309</u>	<u>1,330,179</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,467,340</u>	<u>\$ 71,592</u>	<u>\$ 1,538,932</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Net Position – Modified Cash Basis  
Proprietary Funds  
December 31, 2022 and 2021

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	<b>December 31, 2022</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 24,958	\$ --	\$ 24,958
Total Assets	\$ 24,958	\$ --	\$ 24,958
 <b>Net Position</b>			
Restricted	\$ 24,958	\$ --	\$ 24,958
Total Net Position	\$ 24,958	\$ --	\$ 24,958
	<b>December 31, 2021</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,860	\$ 49,846	\$ 59,706
Total Assets	\$ 9,860	\$ 49,846	\$ 59,706
 <b>Net Position</b>			
Restricted	\$ 9,860	\$ 49,846	\$ 59,706
Total Net Position	\$ 9,860	\$ 49,846	\$ 59,706

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2022

	<b>December 31, 2022</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for goods and services	\$ 161,399	\$ 117,754	\$ 279,153
Other	1,272	--	1,272
<b>Total Operating Revenues</b>	<b>162,671</b>	<b>117,754</b>	<b>280,425</b>
<b>Operating Expenses:</b>			
Personal services	17,119	2,970	20,089
Other current expense	35,667	33,212	68,879
Supplies & materials	69,267	3,397	72,664
<b>Total Operating Expenses</b>	<b>122,053</b>	<b>39,579</b>	<b>161,632</b>
Operating Income	40,618	78,175	118,793
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	136	--	136
Capital Assets	(397)	(281,430)	(281,827)
Interest expense	(25,259)	(20,195)	(45,454)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(25,520)</b>	<b>(301,625)</b>	<b>(327,145)</b>
Net Income (Loss) Before Transfers	15,098	(223,450)	(208,352)
<b>Other Financing Sources:</b>			
Transfers in	--	173,604	173,604
<b>Total Other Financing Sources</b>	<b>--</b>	<b>173,604</b>	<b>173,604</b>
Change in Net Position	15,098	(49,846)	(34,748)
<b>Net Position - Beginning of Year</b>	<b>9,860</b>	<b>49,846</b>	<b>59,706</b>
<b>Net Position - End of Year</b>	<b>\$ 24,958</b>	<b>\$ --</b>	<b>\$ 24,958</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2021

	<b>December 31, 2021</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for goods and services	\$ 146,130	\$ 113,834	\$ 259,964
Other	2,870	--	2,870
<b>Total Operating Revenues</b>	<b>149,000</b>	<b>113,834</b>	<b>262,834</b>
<b>Operating Expenses:</b>			
Personal services	10,192	10,017	20,209
Other current expense	61,571	65,989	127,560
Supplies & materials	57,433	6,983	64,416
<b>Total Operating Expenses</b>	<b>129,196</b>	<b>82,989</b>	<b>212,185</b>
 Operating Income (Loss)	 19,804	 30,845	 50,649
<b>Nonoperating Revenues (Expenses):</b>			
Grants	50,000	--	50,000
Investment income	18	89	107
Capital Assets	(31,895)	(922,533)	(954,428)
Debt service	(167,080)	(48,507)	(215,587)
Interest expense	(13,178)	(10,563)	(23,741)
Long-Term Debt Issued	--	900,000	900,000
<b>Total Nonoperating Revenue (Expense)</b>	<b>(162,135)</b>	<b>(81,514)</b>	<b>(243,649)</b>
 Net (Loss) Before Transfers	 (142,331)	 (50,669)	 (193,000)
<b>Other Financing Sources (Uses):</b>			
Transfers in	137,000	30,100	167,100
Transfers out	--	(30,100)	(30,100)
<b>Total Other Financing Sources (Uses)</b>	<b>137,000</b>	<b>--</b>	<b>137,000</b>
 Change in Net Position	 (5,331)	 (50,669)	 (56,000)
 <b>Net Position - Beginning of Year</b>	 <b>15,191</b>	 <b>100,515</b>	 <b>115,706</b>
 <b>Net Position - End of Year</b>	 <b>\$ 9,860</b>	 <b>\$ 49,846</b>	 <b>\$ 59,706</b>

The accompanying Notes to Financial Statements are an integral part of this statement.



**Municipality of Kimball**  
Statement of Cash Flows – Modified Cash Basis  
Proprietary Funds  
December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipt from customers	\$ 162,671	\$ 117,754	\$ 280,425
Payments to suppliers	(104,934)	(36,609)	(141,543)
Payments to employees	(17,119)	(2,970)	(20,089)
Net Cash Provided by Operating Activities	<u>40,618</u>	<u>78,175</u>	<u>118,793</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In	--	173,604	173,604
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>173,604</u>	<u>173,604</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(397)	(281,430)	(281,827)
Interest Paid on Capital Debt	(25,259)	(20,195)	(45,454)
Net Cash (Used) by Capital and Related Financing Activities	<u>(25,656)</u>	<u>(301,625)</u>	<u>(327,281)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest earnings	136	--	136
Net Cash Provided by Investing Activities	<u>136</u>	<u>--</u>	<u>136</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,098	(49,846)	(34,748)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>9,860</u>	<u>49,846</u>	<u>59,706</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 24,958</u>	<u>\$ --</u>	<u>\$ 24,958</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	<u>\$ 40,618</u>	<u>\$ 78,175</u>	<u>\$ 118,793</u>
Net Cash Provided by Operating Activities	<u>\$ 40,618</u>	<u>\$ 78,175</u>	<u>\$ 118,793</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Statement of Cash Flows – Modified Cash Basis  
Proprietary Funds  
December 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipt from customers	\$ 149,000	\$ 113,834	\$ 262,834
Payments to suppliers	(119,004)	(72,972)	(191,976)
Payments to employees	(10,192)	(10,017)	(20,209)
Net Cash Provided by Operating Activities	<u>19,804</u>	<u>30,845</u>	<u>50,649</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Grants	50,000	--	50,000
Transfers In	137,000	30,100	167,100
Transfers Out	--	(30,100)	(30,100)
Net Cash Provided by Noncapital Financing Activities	<u>187,000</u>	<u>--</u>	<u>187,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Capital Debt	--	900,000	900,000
Purchase of Capital Assets	(31,895)	(922,533)	(954,428)
Principal Paid on Capital Debt	(167,080)	(48,507)	(215,587)
Interest Paid on Capital Debt	(13,178)	(10,563)	(23,741)
Net Cash (Used) by Capital and Related Financing Activities	<u>(212,153)</u>	<u>(81,603)</u>	<u>(293,756)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest earnings	18	89	107
Net Cash Provided by Investing Activities	<u>18</u>	<u>89</u>	<u>107</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,331)	(50,669)	(56,000)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>15,191</u>	<u>100,515</u>	<u>115,706</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 9,860</u>	<u>\$ 49,846</u>	<u>\$ 59,706</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	<u>\$ 19,804</u>	<u>\$ 30,845</u>	<u>\$ 50,649</u>
Net Cash Provided by Operating Activities	<u>\$ 19,804</u>	<u>\$ 30,845</u>	<u>\$ 50,649</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies:**

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

a. Financial Reporting Municipality:

The reporting entity of the Municipality of Kimball, (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal Municipality, 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 Municipality); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting Municipality's financial statements to be misleading or incomplete.

The Municipality participates in a cooperative unit with Tri County Landfill Association, Inc. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting Municipality as a component unit but are discussed in these notes because of the nature of their relationship with the Municipality.

b. Basis of Presentation:

**Government-wide Financial Statements:**

The Statements of Net Position and Statements of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

**Fund Financial Statements:**

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

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

The funds of the Municipality's financial reporting Municipality are described below:

**Governmental Funds:**

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

Liquor, Lodging, and Dining Gross Receipts Tax Fund – to account for collection of a one percent 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 the maintenance, staffing, and operations of such facilities and the promotion and advertising of the municipality (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

**Proprietary Funds:**

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

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

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

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

c. Measurement Focus and Basis of Accounting:

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

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

**Measurement Focus:**

Government-wide Financial Statements:

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

Fund Financial Statements:

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

**Basis of Accounting:**

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. An acceptable modification to the cash basis of accounting implemented by the Municipality in these financial statements is:

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

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

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost. At this time, the Municipality has no investments.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Financial Statements:**

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

**Fund Financial Statements:**

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds and Tax Increment Revenue Bonds.

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

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

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statements of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statements of Cash Flows.



**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

j. 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 creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that does not meet the definition of Restricted Net Position.

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance, and may distinguish between “Restricted,” “Committed,” “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the governing body or Finance Officer.

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**1. Summary of Significant Accounting Policies: (Continued)**

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

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

m. Change in Fund Reporting:

Effective December 31, 2021, the Sales Tax fund, another governmental fund, was closed into the General Fund. The effect of this closure was a \$64,658 transfer to the General Fund.

**2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:**

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

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

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

As of December 31, 2022, the Municipality did not have any investments.

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)**

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

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

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

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

**3. Property Taxes:**

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

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**4. Long-Term Debt:**

A summary of changes in long-term debt can be found on page 38.

Debt payable at December 31, 2022 is comprised of the following:

Notes Payable or Other Long-Term Debt	<b>2022</b>
 <b>Rural Development Debt:</b>	
Sewer and Water Utility Revenue Bond, Series 2015	\$ 354,196
Use of proceeds: sewer/water improvements project	
Interest rate: 3.5% fixed	
Maturity date: 2055 (anticipated)	
Fund servicing debt: sewer and water	
<b>Tax Increment Revenue Bond:</b>	913,144
Sewer Tax Increment Revenue Bond, Series 2022	
Use of proceeds: sewer improvements project	
Interest rate: variable 3.35% until November 30, 2027 starting Dec 1, 2027 4.75%	
Maturity date: 2032 (anticipated)	
Fund servicing debt: sewer	
	<b>\$ 1,267,340</b>

The annual requirements to amortize all debt outstanding as of December 31, 2022, including interest, are as follows:

Years Ending Dec. 31,	Total	
	Principal	Interest
2023	\$ 95,566	\$ 51,162
2024	107,956	38,772
2025	111,719	35,008
2026	115,532	31,195
2027	117,945	30,912
2028	121,371	29,616
Thereafter	597,251	67,924
Total	\$ 1,267,340	\$ 284,589

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**5. Pension Plan:**

a. Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS established 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 at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. 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/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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**5. Pension Plan: (Continued)**

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

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020 were \$9,844, \$12,503, and \$12,342, respectively, equal to the required contributions each year.

d. Pension (Asset):

At June 30, 2022, SDRS is 100.01% funded and accordingly has a net pension (asset.) The proportionate share of the components of the net pension (asset) of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

	<b>2022</b>
Proportionate share of pension liability	\$ 1,106,461
Less proportionate share of net pension restricted for pension benefits	(1,107,201)
Proportionate share of net pension liability (asset)	\$ (740)

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**5. Pension Plan: (Continued)**

The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based upon a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was .00783800%, which is a decrease of .0014570% from its proportion measured as of June 30, 2021.

e. Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. Composted of an average inflation rate of 2.5% and real return of 4.00%
Future COLAs	2.10%

Mortality Rates:

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

Active and Terminated vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010  
Other Class A Members: PubG-2010  
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-210, 108% of rates above age 65  
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above  
Public Safety Retirees: PubS-210, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-210 disabled member mortality table  
Others: PubG-2010 disabled member mortality table

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**5. Pension Plan: (Continued)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).



**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**5. Pension Plan: (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	\$ 153,808	\$ (740)	\$ (127,048)

h. Pension Plan Fiduciary Net Position:

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

**6. Joint Ventures:**

The Municipality is served by a regional landfill operated as a separate legal Municipality. There are eight counties and 20 towns that have a joint powers agreement for the joint operation of the landfill. Although the Municipality has a joint powers agreement with Tri County Landfill Association, Inc. The Municipality provides no funding and receives no revenues from the landfill. The agreement states that the obligations of the landfill shall never constitute an indebtedness of the members within the meaning of any state constitutional provision or statutory limitation and shall never give rise to a pecuniary liability of the members or a charge against their respective general credit or taxing power and the taxing powers of the members may not be used to pay any loan, and no funds or property of the members, other than those described herein, may be used to pay loan payments. The agreement also states that any assets remaining upon dissolution of the landfill shall be distributed to each member based upon the proportion of assets put into the joint operation at its creation by each Municipality. Separate financial statements for this joint venture are available from Tri County Landfill Association, Inc., 24978 349<sup>th</sup> Avenue, Pukwana, SD 57370.

**7. Risk Management:**

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

Employee Health Insurance:

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

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**7. Risk Management: (Continued)**

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials, with the exception of the Fire Department which is insured in a separate policy as a separate named Municipality, from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The Municipality joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public Municipality 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The Municipality pays an annual premium, to provide workers' 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 Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

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

**8. Interfund Transfers:**

For the year ended December 31, 2022:

From the General Fund to the Sewer Fund for operations	\$ 173,604
Total transfers	<u>\$ 173,604</u>

**Municipality of Kimball**  
Notes to the Modified Cash Basis Financial Statements  
December 31, 2022 and 2021

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**8. Interfund Transfers: (Continued)**

For the year ended December 31, 2021:

From the General Fund to the Water Fund for operations	\$ 137,000
From the General Fund to the Sewer Fund for operations	30,100
From the Sales Tax Fund to the General Fund to close	64,658
From the Sewer Fund to the General Fund for operations	30,100
Total transfers	<u>\$ 261,858</u>

**9. Risks and Uncertainties:**

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Municipality. The Municipality is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**10. Implementation of New Accounting Standard:**

In 2022, the Municipality implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement improves accounting and financial reporting for leases; enhances the comparability of financial statements between governments; and also enhances the relevance, reliability, and consistency of information about the leasing activities of governments. The Municipality prepared and presented the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; therefore, the implementation of this standard did not affect beginning net position or beginning fund balances.

## **Supplemental Information**

**Municipality of Kimball**  
 Budgetary Comparison Schedule – Modified Cash Basis  
 General Fund  
 December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
General property tax	\$ 203,710	\$ 203,710	\$ 205,469	\$ 1,759
General sales and use tax	405,000	405,000	565,388	160,388
Total Taxes	<u>608,710</u>	<u>608,710</u>	<u>770,857</u>	<u>162,147</u>
Licenses and permits	9,000	9,000	10,410	1,410
Intergovernmental	70,000	70,000	130,257	60,257
Charges for goods and services	8,000	8,000	9,745	1,745
Investment Earnings	8,000	8,000	9,778	1,778
Miscellaneous revenues	76,550	76,550	115,780	39,230
Amounts Available for Appropriation	<u>780,260</u>	<u>780,260</u>	<u>1,046,827</u>	<u>266,567</u>
Charges to Appropriations (Outflows):				
General Government	476,585	470,475	220,101	250,374
Public Safety:				
Police	194,410	194,410	56,755	137,655
Fire	21,550	21,550	19,954	1,596
Total Public Safety	<u>215,960</u>	<u>215,960</u>	<u>76,709</u>	<u>139,251</u>
Public Works:				
Street Department	207,520	207,520	112,632	94,888
Sanitation	11,960	11,960	2,910	9,050
Airport	2,400	2,400	1,831	569
Total Public Works	<u>221,880</u>	<u>221,880</u>	<u>117,373</u>	<u>104,507</u>
Health and Welfare	36,470	36,470	15,078	21,392
Culture and Recreation	206,385	206,385	124,247	82,138
Conservation and Development	143,210	143,210	6,615	136,595
Total Expenditures	<u>1,300,490</u>	<u>1,294,380</u>	<u>560,123</u>	<u>734,257</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(520,230)</u>	<u>(514,120)</u>	486,704	<u>1,000,824</u>
Other Financing Uses				
Transfers out	--	--	(173,604)	(173,604)
Total Other Financing Uses	<u>--</u>	<u>--</u>	<u>(173,604)</u>	<u>(173,604)</u>
Net Change in Fund Balance	(520,230)	(514,120)	313,100	827,220
<b>Beginning Budgetary Fund Balance</b>	<u>1,467,340</u>	<u>1,467,340</u>	<u>1,467,340</u>	<u>--</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 947,110</u>	<u>\$ 953,220</u>	<u>\$ 1,780,440</u>	<u>\$ 827,220</u>

See accompanying Note to Budgetary Comparison Schedules.

**Municipality of Kimball**  
 Budgetary Comparison Schedule – Modified Cash Basis  
 General Fund  
 December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
General property tax	\$ 204,674	\$ 204,674	\$ 205,661	\$ 987
General sales and use tax	390,000	390,000	633,058	243,058
Total Taxes	<u>594,674</u>	<u>594,674</u>	<u>838,719</u>	<u>244,045</u>
Licenses and permits	9,000	9,000	27,405	18,405
Intergovernmental	70,000	70,000	172,708	102,708
Charges for goods and services	12,000	12,000	13,170	1,170
Investment income	2,000	2,000	2,516	516
Miscellaneous revenues	76,050	76,050	65,101	(10,949)
Amounts Available for Appropriation	<u>763,724</u>	<u>763,724</u>	<u>1,119,619</u>	<u>355,895</u>
Charges to Appropriations (Outflows):				
General Government	<u>371,445</u>	<u>347,884</u>	<u>150,687</u>	<u>197,197</u>
Public Safety:				
Police	112,940	112,940	83,067	29,873
Fire	<u>19,750</u>	<u>19,750</u>	<u>18,685</u>	<u>1,065</u>
Total Public Safety	<u>132,690</u>	<u>132,690</u>	<u>101,752</u>	<u>30,938</u>
Public Works:				
Street Department	260,790	266,893	266,886	7
Sanitation	7,760	7,760	4,084	3,676
Airport	<u>2,400</u>	<u>2,400</u>	<u>2,176</u>	<u>224</u>
Total Public Works	<u>270,950</u>	<u>277,053</u>	<u>273,146</u>	<u>3,907</u>
Health and Welfare	21,370	21,370	15,598	5,772
Culture and Recreation	169,340	183,340	147,382	35,958
Conservation and Development	145,146	145,146	104,242	40,904
Total Expenditures	<u>1,110,941</u>	<u>1,107,483</u>	<u>792,807</u>	<u>314,676</u>
Excess of Revenues Over (Under) Expenditures	<u>(347,217)</u>	<u>(343,759)</u>	<u>326,812</u>	<u>670,571</u>
Other Financing Sources (Uses)				
Transfers in	--	--	94,758	94,758
Transfers out	--	--	(167,100)	(167,100)
Total Other Financing Inflows (Uses)	<u>--</u>	<u>--</u>	<u>(72,342)</u>	<u>(72,342)</u>
Net Change in Fund Balance	(347,217)	(343,759)	254,470	598,229
<b>Beginning Budgetary Fund Balance</b>	<u>1,212,870</u>	<u>1,212,870</u>	<u>1,212,870</u>	<u>--</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 865,653</u>	<u>\$ 869,111</u>	<u>\$ 1,467,340</u>	<u>\$ 598,229</u>

See accompanying Note to Budgetary Comparison Schedules.

**Municipality of Kimball**  
Notes to Budgetary Comparison Schedules  
December 31, 2022 and 2021

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**Note 1:** Budgets and Budgetary Accounting:

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

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

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

The Municipality did not encumber any amounts at December 31, 2022 or 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Municipality of Kimball presents its budget on the modified cash basis of accounting to coincide with the basis of accounting utilized by the basic financial statements. See Note 1 to the basic financial statements for a definition of modified cash basis.

**Municipality of Kimball**  
Schedule of Changes in Long-Term Debt  
December 31, 2022 and 2021

Indebtedness	December 31, 2022			
	Long-Term Debt 1/1/22	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/22
Enterprise Long-Term Debt:				
Revenue bonds	\$ 374,014	\$ --	\$ 19,818	\$ 354,196
Tax Increment Bond	--	913,144	--	913,144
Total Long-Term Debt:	\$ 374,014	\$ 913,144	\$ 19,818	\$ 1,267,340

Indebtedness	December 31, 2021			
	Long-Term Debt 1/1/21	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/21
Enterprise Long-Term Debt:				
Revenue bonds	\$ 589,602	\$ --	\$ 215,588	\$ 374,014
Total Long-Term Debt:	\$ 589,602	\$ --	\$ 215,588	\$ 374,014



**Municipality of Kimball**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.783800%	0.929500%	0.008312%	0.007827%	0.008020%	0.008006%	0.007164%	0.007033%
Municipality's proportionate share of net pension liability (asset)	<u>\$ (741)</u>	<u>\$ (71,184)</u>	<u>\$ (361)</u>	<u>\$ (829)</u>	<u>(187)</u>	<u>(727)</u>	<u>24,199</u>	<u>(29,829)</u>
Municipality's covered payroll	<u>\$ 173,736</u>	<u>\$ 196,298</u>	<u>\$ 172,631</u>	<u>\$ 155,729</u>	<u>\$ 155,756</u>	<u>\$ 152,608</u>	<u>\$ 130,420</u>	<u>\$ 117,884</u>
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.43%	36.26%	0.21%	0.53%	0.12%	0.48%	18.55%	25.30%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

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

See accompanying Note to Schedule of Proportionate Share of the Net Pension Liability (Asset).

**Municipality of Kimball**  
Notes to Schedule of Proportionate Share of the Net Pension Liability (Asset)  
December 31, 2022

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Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.5% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.5% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed of the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

**Municipality of Kimball**  
Notes to Schedule of Proportionate Share of the Net Pension Liability (Asset)  
December 31, 2022 (Continued)

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As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%. 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 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.