

**MUNICIPALITY OF PARKER
PARKER, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF PARKER

MUNICIPAL OFFICIALS
DECEMBER 31, 2023

MAYOR:

Derek Nolan

GOVERNING BOARD:

Chris Poncelet, President
Roxie Harms, Vice-President
Jackie Buller
Robbi Buller
Brad Janzen
Kristen Kuchta

FINANCE OFFICER:

Adam Jans

ATTORNEY:

Drew Duncan

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Parker
Parker, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Parker, South Dakota (Municipality), as of December 31, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated June 5, 2025 which was adverse for aggregate discretely presented component units because they were not presented.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,


regulations, 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2023-002 and 2023-003.

Municipality's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's responses to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 5, 2025

Schoenfish & Co., Inc.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Municipality of Parker
Parker, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Parker, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2023. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Parker complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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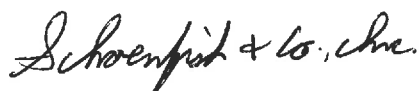
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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
June 5, 2025

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2023-001.

Compliance – Related Findings:Finding Number 2022-002:

The Parker Volunteer Fire Department, Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker records are not available to report in the Municipality's audit. This comment has not been corrected and is restated as current audit finding number 2023-002.

Finding Number 2022-003:

The General Fund was supplemented to spend more money than was available. This comment has not been corrected and a similar comment is restated as current audit finding number 2023-003.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund opinion units and adverse opinion on aggregate discretely presented component units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2023-001.
- c. Material noncompliance was disclosed by our audit of the financial statements for omission of component unit financial statements as discussed in finding number 2023-002 and expenditures exceeding amounts budgeted as discussed in finding number 2023-003.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 1. Coronavirus State and Local Fiscal Recovery Funds ALN No. 21.027
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The Municipality of Parker did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance findings to disclose.

CURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2023-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS(continued)Criteria:

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

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

Cause of Condition:

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

Potential Effect of Condition:

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

Recommendation:

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

Identification as a Repeat Finding:

This is a continuing audit finding since 2000.

Compliance – Related Findings:Finding Number 2023-002:Condition:

The Parker Volunteer Fire Department, Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker records were not reported in the Municipality's financial statements.

Criteria:

Governmental Accounting Standards Board (GASB) requires that a government's basic financial statements include the activity of all entities related to that government. (GASB Codification Sec. 2600) Also, South Dakota Codified Laws 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions. To fully comply with these statutes, the finance officer

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(continued)

should have access to, or knowledge of, the balances and activity of bank accounts and books kept by the Parker Volunteer Fire Department, the Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker.

Cause of Condition:

The Parker Volunteer Fire Department, Parker Development Corporation and the Housing and Redevelopment Commission of the Municipality of Parker are component units of the Municipality of Parker. However, the Municipality of Parker was unable to obtain audited financial statements supporting the financial balances and activities of the Parker Development Corporation and Parker Volunteer Fire Department. The Municipality of Parker was also unable to obtain financial statements for the Housing and Redevelopment Commission of the Municipality of Parker.

Potential Effect of Condition:

The omission of component unit financial records results in inaccurate financial reporting and the possible misappropriation of funds.

Recommendation:

2. We recommend that the management of the Municipality should attempt to obtain financial information from the Parker Volunteer Fire Department, the Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker on an annual basis.

Identification as a Repeat Finding:

This is a continuing audit finding since 2000.

Finding Number 2023-003:

Condition:

Expenditures exceeded the amounts budgeted in two functions in 2023.

Criteria:

SDCL 9-21-2 states in part, "the governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purposes of any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Cause of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(continued)

Potential Effect of Condition:

Without amending or preparing the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

3. We recommend that expenditures be limited to amounts budgeted or budget supplements be made in accordance SDCL 9-21-7 to allow for expenditures.

Identification as a Repeat Finding:

This is a continuing audit finding since 2022.

CLOSING CONFERENCE

The audit and recommendations were discussed with the officials during the course of the audit.

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CITY OF PARKER

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Parker, SD 57053-0265
Derek Nolan, Mayor
Adam Jans, Finance Officer
605.297.4453

CORRECTIVE ACTION PLAN

Finding Number 2023-001:

A material weakness in internal controls was noted due to the lack of proper segregation of duties for revenues.

Planned Corrective Action:

The City of Parker is aware of the lack of proper segregation. Due to the size of our staff, this has been an ongoing issue. The City will design and implement written internal control policies to ensure proper compliance. The City is also looking to budget additional funds to hire an additional staff member for fiscal year 2026.

Finding Number 2023-002:

The Parker Volunteer Fire Department, Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker records were not reported in the Municipality's financial statements.

Planned Corrective Action:

The City of Parker will work with the Volunteer Fire Department, Parker Development Corporation, and the Housing and Redevelopment Commission to ensure all records are properly documented within the City of Parker's financial statements.

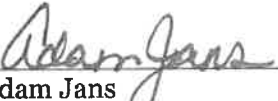
Finding Number 2023-003:


Expenditures exceed the amounts budgeted in one function in 2023.

Planned Corrective Action:

The City of Parker will ensure that budgets be adopted in accordance with SDCL 9-21-9 and that expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for said expenditures.

In following, the City Finance Officer and Mayor will continue to monitor and assure proper budget authority is upheld including any need of supplements as necessary to eliminate future findings.


Adam Jans
Finance Officer/Administrator


Derek Nolan
Mayor

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Parker
Parker, South Dakota

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Parker, South Dakota, (Municipality) as of December 31, 2023, and for the year 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.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the omission of financial data for the Housing and Redevelopment Commission of the Municipality of Parker, and omission of unaudited financial information of the Parker Development Corporation and the Parker Volunteer Fire Department, as discussed in the Basis for Adverse Opinions, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Municipality of Parker, South Dakota, as of December 31, 2023, or the changes in financial position thereof for the year then ended.

Unmodified Opinions on Governmental Activities, Business-Type Activities, and Each Major Fund

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

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

Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Parker Development Corporation and Parker Volunteer Fire Department, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures.

The Municipality of Parker was unable to obtain financial statements for the Housing and Redevelopment Commission of the Municipality of Parker.

Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units would have been presented inclusive of the Parker Development Corporation, Parker Volunteer Fire Department, and the Housing and Redevelopment Commission, of the Municipality of Parker.

Emphasis of Matter

As discussed in the notes to the Schedule of Expenditures of Federal Awards, the schedule does not include federal expenditures incurred by the Parker Volunteer Fire Department, the Parker Development Corporation and the Housing and Redevelopment Commission of the Municipality of Parker, discretely presented component units of the government, for which an adverse opinion was issued on the financial statements. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

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fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

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

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards includes only the federal expenditures of the primary government and excludes the federal expenditures of the Parker Volunteer Fire Department, the Parker Development Corporation and the Housing and Redevelopment Commission of the Municipality of Parker, for which an adverse opinion was issued on the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2025 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.
 Certified Public Accountants
 June 5, 2025

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
 P.O. Box 247
 105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF PARKER
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	89,572.39	1,167,413.52	1,256,985.91
Investments		51,659.87	51,659.87
Accounts Receivable, Net	275,800.53	368,294.99	644,095.52
Inventories		201,264.59	201,264.59
Net Pension Asset	1,165.55	860.03	2,025.58
Capital Assets:			
Land and Construction Work in Progress	380,190.00	2,839,227.89	3,219,417.89
Other Capital Assets, Net of Depreciation	2,275,794.27	8,391,265.21	10,667,059.48
TOTAL ASSETS	3,022,522.74	13,019,986.10	16,042,508.84
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	90,532.84	66,802.40	157,335.24
TOTAL DEFERRED OUTFLOWS OF RESOURCES	90,532.84	66,802.40	157,335.24
LIABILITIES :			
Other Current Liabilities	800.00	121,650.57	122,450.57
Noncurrent Liabilities:			
Due Within One Year	60,035.76	320,583.32	380,619.08
Due in More than One Year	143,092.22	3,523,603.81	3,666,696.03
TOTAL LIABILITIES	203,927.98	3,965,837.70	4,169,765.68
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	59,116.70	43,621.05	102,737.75
TOTAL DEFERRED INFLOWS OF RESOURCES	59,116.70	43,621.05	102,737.75
NET POSITION:			
Net Investment in Capital Assets	2,473,206.05	7,394,991.18	9,868,197.23
Restricted for:			
Equipment Repair and/or Replacement		141,878.56	141,878.56
SDRS Pension Purposes	32,581.69	24,041.38	56,623.07
Unrestricted (Deficit)	344,223.16	1,516,418.63	1,860,641.79
TOTAL NET POSITION	2,850,010.90	9,077,329.75	11,927,340.65

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities	
			Grants and Contributions	Capital Grants and Contributions		Activities	Total
Primary Government:							
Governmental Activities:							
General Government	356,450.18	10,225.00			(346,225.18)		(346,225.18)
Public Safety	245,800.15	960.00	12,800.00		(232,040.15)		(232,040.15)
Public Works	449,652.55	102,623.55	49,252.59	31,385.37	(266,391.04)		(266,391.04)
Health and Welfare	64,009.54	77,650.74			13,641.20		13,641.20
Culture and Recreation	352,273.10	25,815.00			(326,458.10)		(326,458.10)
Conservation and Development	17,673.98	28,521.00			10,847.02		10,847.02
*Interest on Long-term Debt	6,405.41				(6,405.41)		(6,405.41)
Total Governmental Activities	1,492,264.91	245,795.29	62,052.59	31,385.37	(1,153,031.66)		(1,153,031.66)
Business-type Activities:							
Water	398,107.66	544,560.05		1,086,962.38		1,233,414.77	1,233,414.77
Sewer	202,038.48	225,966.52		1,267,990.36		1,291,918.40	1,291,918.40
Electric	1,246,953.57	1,342,098.31				95,144.74	95,144.74
Total Business-type Activities	1,847,099.71	2,112,624.88	0.00	2,354,952.74		2,620,477.91	2,620,477.91
Total Primary Government	3,339,364.62	2,358,420.17	62,052.59	2,386,338.11	(1,153,031.66)	2,620,477.91	1,467,446.25
General Revenues:							
Taxes:							
Property Taxes					215,811.68		215,811.68
Sales Taxes					560,440.60		560,440.60
State Shared Revenues					9,909.35		9,909.35
Unrestricted Investment Earnings					8,058.36	934.33	8,992.69
Miscellaneous Revenue					34,059.88	115,325.76	149,385.64
Transfers					182,054.50	(182,054.50)	0.00
Total General Revenues and Transfers					1,010,334.37	(65,794.41)	944,539.96
Change in Net Position					(142,697.29)	2,554,683.50	2,411,986.21
Net Position - Beginning					3,023,744.06	6,417,637.57	9,441,381.63
Adjustments:							
Adjust for Ambulance A/R (Note 11.)					(31,035.87)		(31,035.87)
Capital Asset Adjustment for Prior Year Corrections (Note 11.)						105,008.68	105,008.68
Adjusted Net Position - Beginning					2,992,708.19	6,522,646.25	9,515,354.44
NET POSITION - ENDING					2,850,010.90	9,077,329.75	11,927,340.65

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

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	89,572.39
Taxes Receivable--Delinquent	2,458.47
Accounts Receivable, Net	41,484.66
Special Assessments Receivable--Current	21,021.57
Special Assessments Receivable--Delinquent	1,100.07
Special Assessments Receivable--Deferred	161,653.29
Due from Other Governments	48,082.47
TOTAL ASSETS	365,372.92
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	
Liabilities:	
Customer Deposits	800.00
Total Liabilities	800.00
Deferred Inflows of Resources:	
Unavailable Revenue--Property Taxes	2,458.47
Unavailable Revenue--Special Assessments	183,774.93
Total Deferred Inflows of Resources	186,233.40
Fund Balances:	
Assigned for Library	9,185.47
Assigned for Ambulance	21,892.51
Unassigned	147,261.54
Total Fund Balances	178,339.52
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	365,372.92

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

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

Total Fund Balances - Governmental Funds	<u>178,339.52</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,165.55</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,655,984.27</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>90,532.84</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(203,127.98)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred), are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>186,233.40</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(59,116.70)</u>
Net Position - Governmental Activities	<u><u>2,850,010.90</u></u>

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

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

	General Fund
Revenues:	
Taxes:	
General Property Taxes	214,108.56
General Sales and Use Taxes	560,440.60
Penalties and Interest on Delinquent Taxes	284.62
Licenses and Permits	10,225.00
Intergovernmental Revenue:	
Federal Payments in Lieu of Taxes	1,887.17
State Shared Revenue:	
Bank Franchise Tax	1,702.16
Prorate License Fees	3,471.27
Liquor Tax Reversion	8,207.19
Motor Vehicle Licenses	19,103.47
Local Government Highway and Bridge Fund	19,424.73
County Shared Revenue:	
County Road Tax	1,205.74
County Wheel Tax	4,160.21
Other	2,800.00
Charges for Goods and Services:	
Sanitation	102,623.55
Culture and Recreation	19,975.00
Ambulance	77,650.74
Fines and Forfeits:	
Court Fines and Costs	960.00
Miscellaneous Revenue:	
Investment Earnings	8,058.36
Rentals	34,361.00
Special Assessments	31,505.30
Other	24,559.88
Total Revenue	1,146,714.55
Expenditures:	
General Government:	
Executive	31,138.44
Financial Administration	213,809.27
Other	66,885.38
Total General Government	311,833.09

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

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

	General Fund
Expenditures (cont.):	
Public Safety:	
Police	105,529.98
Fire	29,396.97
Total Public Safety	134,926.95
Public Works:	
Highways and Streets	245,338.29
Sanitation	137,557.20
Total Public Works	382,895.49
Health and Welfare:	
Health	62.87
Ambulance	44,964.14
Total Health and Welfare	45,027.01
Culture and Recreation:	
Recreation	111,237.15
Parks	86,733.75
Libraries	99,301.50
Auditorium	27,146.31
Total Culture and Recreation	324,418.71
Conservation and Development:	
Economic Development and Assistance	17,629.79
Total Conservation and Development	17,629.79
Debt Service	47,518.47
Capital Outlay	135,083.00
Total Expenditures	1,399,332.51
Excess of Revenue Over (Under) Expenditures	(252,617.96)
Other Financing Sources:	
Transfers In	182,054.50
Sale of Municipal Property	9,500.00
Long-Term Debt Issued	119,350.00
Total Other Financing Sources	310,904.50
Net Change in Fund Balances	58,286.54
Fund Balance - Beginning	151,088.85
Adjustments:	
Adjust for Ambulance A/R (Note 11.)	(31,035.87)
Adjusted Fund Balance - Beginning	120,052.98
FUND BALANCE - ENDING	178,339.52

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

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

Net Change in Fund Balances - Total Governmental Funds	<u>58,286.54</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>135,083.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(251,629.78)</u>
In the statement of activities, the gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(10,338.21)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>51,113.06</u>
The issuance of long-term debt is and other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(119,350.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,418.50</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(119.93)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(2,250.75)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>992.32</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(5,902.04)</u>
Change in Net Position of Governmental Activities	<u><u>(142,697.29)</u></u>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	437,935.70	105,286.11	624,191.71	1,167,413.52
Investments			51,659.87	51,659.87
Accounts Receivable, Net	49,827.23	31,005.05	140,187.84	221,020.12
Due from State Government	73,637.43	73,637.44		147,274.87
Inventory of Supplies	19,099.73		182,164.86	201,264.59
Total Current Assets	580,500.09	209,928.60	998,204.28	1,788,632.97
Noncurrent Assets:				
Net Pension Asset	121.81	87.33	650.89	860.03
Capital Assets:				
Land		1,360.00		1,360.00
Buildings	122,712.02		222,190.07	344,902.09
Improvements Other Than Buildings	4,211,554.82	3,868,242.16	2,065,478.30	10,145,275.28
Machinery and Equipment	67,240.02	179,949.75	530,039.02	777,228.79
Construction Work in Progress	1,339,446.13	1,498,421.76		2,837,867.89
Less: Accumulated Depreciation	(698,684.34)	(1,214,326.88)	(963,129.73)	(2,876,140.95)
Total Noncurrent Assets	5,042,390.46	4,333,734.12	1,855,228.55	11,231,353.13
TOTAL ASSETS	5,622,890.55	4,543,662.72	2,853,432.83	13,019,986.10
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	9,461.49	6,783.58	50,557.33	66,802.40
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,461.49	6,783.58	50,557.33	66,802.40

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Totals
LIABILITIES:				
Current Liabilities:				
Notes Payable - Current			66,058.29	66,058.29
Due to State Government			5,671.61	5,671.61
Customer Deposits			115,978.96	115,978.96
Bonds Payable Current:				
Revenue	93,376.10	87,648.93	70,000.00	251,025.03
Compensated Absence Payable - Current	1,000.00	1,000.00	1,500.00	3,500.00
Total Current Liabilities	94,376.10	88,648.93	259,208.86	442,233.89
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	1,570,442.94	1,284,607.14	140,000.00	2,995,050.08
Accrued Leave Payable	1,829.41	1,829.41	1,526.29	5,185.11
Other Long-Term Liabilities			523,368.62	523,368.62
Total Noncurrent Liabilities	1,572,272.35	1,286,436.55	664,894.91	3,523,603.81
TOTAL LIABILITIES	1,666,648.45	1,375,085.48	924,103.77	3,965,837.70
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	6,178.22	4,429.59	33,013.24	43,621.05
TOTAL DEFERRED INFLOWS OF RESOURCES	6,178.22	4,429.59	33,013.24	43,621.05
NET POSITION:				
Net Investment in Capital Assets	3,378,449.71	2,961,390.72	1,055,150.75	7,394,991.18
Restricted For:				
Equipment Repair and/or Replacement		12,029.24	129,849.32	141,878.56
SDRS Pension Purposes	3,405.08	2,441.32	18,194.98	24,041.38
Unrestricted Net Position	577,670.58	195,069.95	743,678.10	1,516,418.63
TOTAL NET POSITION	3,959,525.37	3,170,931.23	1,946,873.15	9,077,329.75

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenue:				
Charges for Goods and Services	544,560.05	225,966.52	1,342,098.31	2,112,624.88
Total Operating Revenue	544,560.05	225,966.52	1,342,098.31	2,112,624.88
Operating Expenses:				
Personal Services	41,096.82	29,984.96	210,461.51	281,543.29
Other Current Expense	35,979.75	58,821.71	246,613.60	341,415.06
Materials (Cost of Goods Sold)	216,604.69		712,837.70	929,442.39
Depreciation	61,403.22	81,473.19	58,234.12	201,110.53
Total Operating Expenses	355,084.48	170,279.86	1,228,146.93	1,753,511.27
Operating Income (Loss)	189,475.57	55,686.66	113,951.38	359,113.61
Nonoperating Revenue (Expense):				
Investment Earnings		665.49	268.84	934.33
Interest Expense	(43,023.18)	(31,758.62)	(18,806.64)	(93,588.44)
Other			115,325.76	115,325.76
Total Nonoperating Revenue (Expense)	(43,023.18)	(31,093.13)	96,787.96	22,671.65
Income (Loss) Before Transfers	146,452.39	24,593.53	210,739.34	381,785.26
Capital Contributions	1,086,962.38	1,267,990.36		2,354,952.74
Transfers Out	(127,054.50)		(55,000.00)	(182,054.50)
Change in Net Position	1,106,360.27	1,292,583.89	155,739.34	2,554,683.50
Net Position - Beginning	2,829,737.59	1,796,766.17	1,791,133.81	6,417,637.57
Adjustments:				
Capital Assets Adjustment For Prior Year Adjustments (Note 11.)	23,427.51	81,581.17		105,008.68
Adjusted Net Position - Beginning	2,853,165.10	1,878,347.34	1,791,133.81	6,522,646.25
NET POSITION - ENDING	3,959,525.37	3,170,931.23	1,946,873.15	9,077,329.75

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

**MUNICIPALITY OF PARKER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
			Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	523,415.90	214,572.84	1,318,419.29
Cash Payments to Employees for Services	(39,554.27)	(28,646.22)	(209,143.72)
Cash Payments to Suppliers of Goods and Services	(259,673.61)	(58,821.71)	(988,819.45)
Net Cash Provided (Used) by Operating Activities	224,188.02	127,104.91	120,456.12
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers Out	(127,054.50)		(55,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(127,054.50)	0.00	(55,000.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt	234,651.00	304,068.00	343,000.00
Capital Contributions	1,013,324.95	1,194,352.92	
Purchase of Capital Assets	(1,224,548.80)	(1,455,588.59)	(334,143.00)
Principal Paid on Capital Debt	(90,606.46)	(84,990.22)	(101,675.80)
Interest Paid on Capital Debt	(43,023.18)	(31,758.62)	(18,806.64)
Other Receipts (Payments)			115,325.76
Net Cash (Used) by Capital and Related Financing Activities	(110,202.49)	(73,916.51)	3,700.32
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest		665.49	268.84
Net Cash Provided (Used) by Investing Activities	0.00	665.49	268.84
Net Increase (Decrease) in Cash and Cash Equivalents	(13,068.97)	53,853.89	69,425.28
Balances - Beginning	451,004.67	51,432.22	606,426.30
Balances - Ending	437,935.70	105,286.11	675,851.58

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	189,475.57	55,686.66	113,951.38	359,113.61
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	61,403.22	81,473.19	58,234.12	201,110.53
(Increase) decrease in Receivables	(21,144.15)	(11,393.68)	(30,006.96)	(62,544.79)
(Increase) decrease in Inventories	(7,089.17)		(29,385.74)	(36,474.91)
(Increase) decrease in Net Pension Asset	1.56	0.26	(78.11)	(76.29)
(Increase) decrease in Pension Related Outflows of Resources	1,715.14	1,151.55	1,333.68	4,200.37
(Decrease) increase in Accounts and Other Payables			17.59	17.59
(Decrease) increase in Customer Deposits			6,327.94	6,327.94
(Decrease) increase in Accrued Leave Payable	921.84	921.84	821.75	2,665.43
(Decrease) increase in Pension Related Deferred Inflows	(1,095.99)	(734.91)	(759.53)	(2,590.43)
Net Cash Provided (Used) by Operating Activities	224,188.02	127,104.91	120,456.12	471,749.05

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Parker, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Parker Housing and Redevelopment, PO Box 27, Parker, SD 57053-0027.

The Parker Development Corporation of Parker, South Dakota (PDC) is a proprietary fund-type, discretely-presented component unit. The PDC is legally separate, but is fiscally dependent upon the Governing Board. Separately issued financial statements of the PDC may be obtained from: Parker Development Corporation, PO Box 201, Parker, SD 57053.

The Parker Volunteer Fire Department of Parker, South Dakota is a proprietary fund-type, discretely-presented component unit. The Parker Volunteer Fire Department is legally separate, but is fiscally dependent upon the Governing Board. Separately issued financial statements of the Parker Volunteer Fire Department: Parker Volunteer Fire Department, 602 Grace Circle, Parker, SD 57053.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 financial reporting entity are described below:

Governmental Funds:

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

Proprietary Funds:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

"Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Parker, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2023 are ambulance billings and a state grant.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-wide Financial Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2023 balance of governmental activities capital assets and business-type capital assets are all valued at original cost.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	20-50 yrs.
Buildings	\$ 5,000.00	Straight-line	10-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-25 yrs.
Infrastructure	\$ 5,000.00	Straight-line	20-50 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	20-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

g. Program Revenues:

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

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

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. 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 Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

k. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

n. Pensions:

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

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

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

	Year Ended 12/31/23
General Fund:	
Highways and Streets	\$ 105,670.29
Recreation	\$ 8,337.15

The Municipality plans to take the following actions to address these violations: use supplemental budgets when legal authority exists.

3. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATION 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 municipal funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

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 maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

Inventory in the enterprise funds consists of expendable supplies held for consumption. Supplies are recorded at cost.

Government-wide Financial Statements:

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

Fund Financial Statements:

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

6. PROPERTY TAXES

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2023	Increases	Decreases	Balance 12/31/2023
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	380,190.00			380,190.00
Total, not being Depreciated	380,190.00	0.00	0.00	380,190.00
Capital Assets, being Depreciated:				
Buildings	2,197,991.22		(13,600.00)	2,184,391.22
Improvements Other Than Buildings	688,130.71	8,353.00		696,483.71
Machinery and Equipment	1,264,276.60	126,730.00	(40,000.00)	1,351,006.60
Total, being Depreciated	4,150,398.53	135,083.00	(53,600.00)	4,231,881.53
Less Accumulated Depreciation for:				
Buildings	(938,262.48)	(48,220.09)	3,261.79	(983,220.78)
Improvements Other Than Buildings	(238,753.03)	(19,483.79)		(258,236.82)
Machinery and Equipment	(570,703.76)	(183,925.90)	40,000.00	(714,629.66)
Total Accumulated Depreciation	(1,747,719.27)	(251,629.78)	43,261.79	(1,956,087.26)
Total Governmental Activities Capital Assets, being Depreciated, Net	2,402,679.26	(116,546.78)	(10,338.21)	2,275,794.27
Governmental Activity Capital Assets, Net	2,782,869.26	(116,546.78)	(10,338.21)	2,655,984.27

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	42,726.85
Public Safety	110,873.20
Public Works	52,498.80
Culture and Recreation	26,548.40
Health and Welfare	18,982.53
Total Depreciation Expense - Governmental Activities	251,629.78

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2023	Increases	Decreases	Balance 12/31/2023
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	1,360.00			1,360.00
Construction Work in Progress	91,469.82	2,746,398.07		2,837,867.89
Total, not being Depreciated	92,829.82	2,746,398.07	0.00	2,839,227.89
Capital Assets, being Depreciated:				
Buildings	344,902.09			344,902.09
Improvements Other Than Buildings	9,811,132.28	334,143.00		10,145,275.28
Machinery and Equipment	740,654.79	38,748.00	(2,174.00)	777,228.79
Total, being Depreciated	10,896,689.16	372,891.00	(2,174.00)	11,267,406.16
Less Accumulated Depreciation for:				
Buildings	(260,298.96)	(4,374.72)		(264,673.68)
Improvements Other Than Buildings	(1,975,798.37)	(153,741.92)		(2,129,540.29)
Machinery and Equipment	(441,107.09)	(42,993.89)	2,174.00	(481,926.98)
Total Accumulated Depreciation	(2,677,204.42)	(201,110.53)	2,174.00	(2,876,140.95)
Total Business-Type Activities Capital Assets, being Depreciated, Net	8,219,484.74	171,780.47	0.00	8,391,265.21
Business-Type Activity Capital Assets, Net	8,312,314.56	2,918,178.54	0.00	11,230,493.10

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	61,403.22
Sewer	81,473.19
Electric	58,234.12
Total Depreciation Expense - Business-Type Activities	201,110.53

Construction Work in Progress at December 31, 2023, is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2022	Committed	Required Future Financing
Phase 6 Water and Sewer Project	8,332,000.00	2,837,867.89	0.00	5,494,132.11

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/23	Additions	Deletions	Ending Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Direct Borrowing Notes Payable - Fire Truck	114,541.28		20,936.14	93,605.14	21,725.74
Direct Borrowing Notes Payable - Street Sweeper		119,350.00	30,176.92	89,173.08	28,310.02
Total Debt	114,541.28	119,350.00	51,113.06	182,778.22	50,035.76
Accrued Compensated Absences - Governmental Funds	18,099.01	2,250.75		20,349.76	10,000.00
Total Governmental Activities	132,640.29	121,600.75	51,113.06	203,127.98	60,035.76
Business-Type Activities:					
Bonds Payable:					
Certificates of Participation	275,000.00		65,000.00	210,000.00	70,000.00
Clean Water SRF Loan #1	83,495.23		26,935.91	56,559.32	27,822.06
Clean Water SRF Loan #2	178,966.97		27,467.23	151,499.74	28,370.86
Clean Water SRF Loan #3	163,206.51		6,432.02	156,774.49	6,643.61
Clean Water SRF Loan #4	143,138.44		9,362.25	133,776.19	9,646.30
Clean Water SRF Loan #5	584,371.14		14,792.81	569,578.33	15,166.10
Clean Water SRF Loan #6		304,068.00		304,068.00	0.00
USDA RD Drinking Water #1	543,038.93		12,062.57	530,976.36	12,437.27
Drinking Water SRF Loan #1	196,971.39		43,938.68	153,032.71	45,384.19
Drinking Water SRF Loan #2	78,374.68		12,028.64	66,346.04	12,424.35
Drinking Water SRF Loan #3	48,256.60		5,420.18	42,836.42	5,584.62
Drinking Water SRF Loan #4	653,132.90		17,156.39	635,976.51	17,545.67
Drinking Water SRF Loan #5		234,651.00		234,651.00	0.00
Direct Borrowing Notes Payable - Street Lights	283,102.71		36,675.80	246,426.91	38,652.81
Direct Borrowing Notes Payable - Electric Conversion		343,000.00		343,000.00	27,405.48
Total Debt	3,231,055.50	881,719.00	277,272.48	3,835,502.02	317,083.32
Accrued Compensated Absences- Business-Type Funds	6,019.68	2,665.43		8,685.11	3,500.00
Total Business-Type Activities	3,237,075.18	884,384.43	277,272.48	3,844,187.13	320,583.32
TOTAL PRIMARY GOVERNMENT	3,369,715.47	1,005,985.18	328,385.54	4,047,315.11	380,619.08

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

GOVERNMENTAL ACTIVITIES:

Direct Borrowing Notes Payable – Rivers Edge Bank:

Direct Borrowing Notes Payable for Fire Truck
Dated April 12, 2017, 3.50% Interest Rate,
Final Maturity with Balloon Payment April 12, 2028,
Retired by the General Fund \$ 93,605.14

Direct Borrowing Notes Payable – Rivers Edge Bank:

Direct Borrowing Notes Payable for Street Sweeper
Dated January 9, 2023, 4.65% Interest Rate,
Final Maturity with Balloon Payment May 31, 2026,
Retired by the General Fund \$ 89,173.08

BUSINESS-TYPE ACTIVITIES:

Clean Water SRF Loan #1:

Clean Water State Revolving Fund Loan #461026-01
for Sewer Improvements, 3.25% Interest, Final
Maturity 10-15-2025, Payable from Sewer Fund \$ 56,559.32

Clean Water SRF Loan #2:

Clean Water State Revolving Fund Loan #461026-02
for Sewer Improvements, 3.25% Interest, Final
Maturity 10-15-2028, Payable from Sewer Fund \$ 151,499.74

Clean Water SRF Loan #3:

Clean Water State Revolving Fund Loan
for Sewer Improvements, 3.25% Interest, Final
Maturity 10-15-2041, Payable from Sewer Fund \$ 156,774.49

Clean Water SRF Loan #4:

Clean Water State Revolving Fund Loan #461026-04
for Lift Station, 3.00% Interest, Final
Maturity 10-15-2035, Payable from Sewer Fund \$ 133,776.19

Clean Water SRF Loan #5:

Clean Water State Revolving Fund Loan #461026-05
for Sewer Improvements, 2.25% Interest, Final Maturity
7-15-2050, Payable from Sewer Fund \$ 569,578.33

Clean Water SRF Loan #6:

Clean Water State Revolving Fund Loan #461026-06
for Sewer Improvements, 2.125% Interest, Final Maturity
8-15-2055, Payable from Sewer Fund \$ 304,068.00

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

USDA Rural Development Loan Drinking Water #1:

USDA Rural Development Loan 3.50% Interest, Final Maturity 5-12-2050, Payable from Water Fund	\$ 530,976.36
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Drinking Water SRF Loan #1:

Drinking Water State Revolving Fund Loan #462026-01 for Water Line Improvements, 3.25% Interest, Final Maturity 1-15-2027, Payable from Water Fund	\$ 153,032.71
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Drinking Water SRF Loan #2:

Drinking Water State Revolving Fund Loan #462026-02 for Water Line Improvements, 3.25% Interest, Final Maturity 10-15-2028, Payable from Water Fund	\$ 66,346.04
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Drinking Water SRF Loan #3:

Drinking Water State Revolving Fund Loan for Water Line Improvements, 3.00% Interest, Final Maturity 10-15-2031, Payable from Water Fund	\$ 42,836.42
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Drinking Water SRF Loan #4:

Drinking Water State Revolving Fund Loan for Water Line Improvements, 2.50% Interest, Final Maturity 7-15-2050, Payable from Water Fund	\$ 635,976.51
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Drinking Water SRF Loan #5:

Drinking Water State Revolving Fund Loan for Water Line Improvements, 1.875% Interest, Final Maturity 8-15-2055, Payable from Water Fund	\$ 234,651.00
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Electric Utility Revenue Bonds:

Electric Utility Revenue Bonds, Series 2016 for Electric Improvements, 0.90% to 2.35% Interest Rate, Final Maturity December 1, 2026, Payable from Electrical Fund	\$ 210,000.00
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Direct Borrowing Notes Payable – Rivers Edge Bank:

Direct Borrowing Notes Payable for Street Lights Dated August 21, 2019, 4.50% Interest Rate, Final Maturity with Balloon Payment August 21, 2029, Payable from Electrical Fund	\$ 246,426.91
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Direct Borrowing Notes Payable – Rivers Edge Bank:

Direct Borrowing Notes Payable for Electric Conversion Project Dated December 28, 2023, 4.95% Interest Rate, Final Maturity with Balloon Payment August 21, 2029, Payable from Electrical Fund	\$ 343,000.00
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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Compensated Absences:

Accrued Annual Leave and Benefits, Payment to be made by the fund that the payroll expenditures are charged to.

General Fund	\$20,349.76
Water Fund	\$ 2,829.41
Sewer Fund	\$ 2,829.41
Electric Fund	\$ 3,026.29

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$182,778.22 includes provisions that in an event of default, outstanding amounts may become immediately due and payable. Collateralized equipment on the notes payable includes the 2017 Freightliner Fire Truck & Street Sweeper.

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$589,426.91 include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. The notes payable is cross-collateralized by any pledged collateral with each and every loan from the lender to the borrower.

The annual requirements to amortize all debt outstanding as of December 31, 2023, except for compensated absences but including interest payments of \$1,129,292.18, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ending December 31,	Direct Borrowing Notes Payable - Fire Truck - Rivers Edge Bank		Direct Borrowing Notes Payable - Street Sweeper - Rivers Edge Bank		Electric Utility Revenue Bond, Series 2016	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	21,725.74	3,274.26	28,310.02	4,208.45	70,000.00	4,690.00
2025	22,486.14	2,513.86	29,656.22	2,862.25	70,000.00	3,290.00
2026	23,273.16	1,726.84	31,206.84	1,464.08	70,000.00	1,645.00
2027	24,087.72	912.28				
2028	2,032.38	69.21				
Totals	93,605.14	8,496.45	89,173.08	8,534.78	210,000.00	9,625.00

Year Ending December 31,	State Revolving Loan Fund - Sewer #1		State Revolving Loan Fund - Sewer #2		State Revolving Loan Fund - Sewer #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	27,822.06	1,501.38	28,370.86	4,580.30	6,643.61	5,014.75
2025	28,737.26	586.18	29,304.21	3,646.95	6,862.18	6,862.18
2026			30,268.27	2,682.89	7,087.93	4,570.43
2027			31,264.05	1,687.11	7,321.12	4,337.24
2028			32,292.35	658.81	7,561.96	4,096.40
2029-2033					41,709.24	16,582.56
2034-2038					49,036.54	9,255.26
2039-2043					30,551.91	1,508.58
Totals	56,559.32	2,087.56	151,499.74	13,256.06	156,774.49	52,227.40

Year Ending December 31,	State Revolving Loan Fund - Sewer #4		State Revolving Loan Fund - Sewer #5		State Revolving Loan Fund - Sewer #6	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	9,646.30	3,905.46	15,166.10	14,098.02		
2025	9,938.96	3,612.80	15,548.82	13,715.30	1,817.96	1,615.36
2026	10,240.50	3,311.26	15,941.20	13,322.92	7,368.94	6,364.34
2027	10,551.19	3,000.57	16,343.49	12,920.63	7,526.76	6,206.52
2028	10,871.30	2,680.46	16,755.92	12,508.20	7,687.99	6,045.29
2029-2033	59,508.66	8,250.14	90,339.74	55,980.86	40,981.80	27,684.60
2034-2038	23,019.28	695.81	102,328.52	43,992.08	45,563.04	23,103.36
2039-2043			115,908.31	30,412.29	50,656.41	18,009.99
2044-2048			131,290.23	15,030.37	56,319.13	12,347.27
2049-2053			49,956.00	1,256.22	62,614.91	6,051.49
2054-2055					23,531.06	502.68
Totals	133,776.19	25,456.50	569,578.33	213,236.89	304,068.00	107,930.90

Year Ending December 31,	USDA Rural Development Drinking Water #1		State Revolving Loan Fund - Water #1		State Revolving Loan Fund - Water #2	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	12,437.27	18,438.73	45,384.19	4,424.17	12,424.35	2,005.85
2025	12,931.70	17,944.30	46,877.25	2,931.11	12,833.10	1,597.10
2026	13,391.65	17,484.35	48,419.42	1,388.94	13,255.28	1,174.92
2027	13,867.95	17,008.05	12,351.85	100.24	13,691.36	738.84
2028	14,314.31	16,561.69			14,141.95	288.25
2029-2033	79,789.57	74,590.43				
2034-2038	95,030.69	59,349.31				
2039-2043	113,183.60	41,196.40				
2044-2048	134,798.18	19,581.82				
2049-2053	41,231.44	1,122.36				
Totals	530,976.36	283,277.44	153,032.71	8,844.46	66,346.04	5,804.96

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ending December 31,	State Revolving Loan Fund - Water #3		State Revolving Loan Fund - Water #4		State Revolving Loan Fund - Water #5	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	5,584.62	1,222.66	17,545.67	14,162.13		
2025	5,754.06	1,053.22	17,943.80	13,764.00	1,461.21	1,099.93
2026	5,928.63	878.65	18,350.95	13,356.85	5,913.66	4,330.90
2027	6,108.50	698.78	18,767.34	12,940.46	6,025.33	4,219.23
2028	6,293.83	513.45	19,193.18	12,514.62	6,139.11	4,105.45
2029-2033	13,166.78	447.78	102,699.55	55,839.45	32,478.71	18,744.09
2034-2038			114,891.99	43,647.01	35,663.10	15,559.70
2039-2043			128,531.90	30,007.10	39,159.66	12,063.14
2044-2048			143,791.17	14,747.83	42,999.07	8,223.73
2049-2053			54,260.96	1,227.69	47,214.87	4,007.93
2054-2055					17,596.28	331.46
Totals	42,836.42	4,814.54	635,976.51	212,207.14	234,651.00	72,685.56

Year Ending December 31,	Direct Borrowing Notes Payable - Street Lights - Rivers Edge Bank		Direct Borrowing Notes Payable - Electric Conversion - Rivers Edge Bank		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	38,652.81	10,179.63	27,405.48	16,249.56	367,119.08	107,955.35
2025	40,428.49	8,403.95	28,466.30	15,188.74	381,047.66	100,687.23
2026	42,285.77	6,546.67	29,928.27	13,726.77	372,860.47	93,975.81
2027	44,228.40	4,604.04	31,465.34	12,189.70	243,600.40	81,563.69
2028	46,260.22	2,572.22	225,734.61	10,605.17	409,279.11	73,219.22
2029-2033	34,571.22	540.09			495,245.27	258,660.00
2034-2038					465,533.16	195,602.53
2039-2043					477,991.79	133,197.50
2044-2048					509,197.78	69,931.02
2049-2053					255,278.18	13,665.69
2054-2055					41,127.34	834.14
Totals	246,426.91	32,846.60	343,000.00	67,959.94	4,018,280.24	1,129,292.18

9. SERVICE CONTRACTS

The Municipality entered into a Service Contract for Clean Out and Inspection of Elevated Water Tank. This will be done every 3 years.

Year	Water Fund
2025	2,250.00
2028	2,250.00
2031	2,250.00

10. CONDUIT DEBT

The Municipality guaranteed a line of credit for the Parker Development Corporation to provide financial assistance for economic development purposes. This line of credit is secured by the property being financed and are payable solely from payments received on the sale of property. Accordingly, this credit line is not reported as a liability in the accompanying financial statements. As of December 31, 2023, there was no balance outstanding on the line of credit.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. RESTATEMENT OF PRIOR PERIOD

The Municipality adjusted the capital asset records for construction projects and ambulance accounts receivable in 2022. As a result, beginning net position has been restated as of January 1, 2023.

	<u>Governmental- Type Activities</u>	<u>Business-Type Activities</u>
Net Position January 1, 2023, as previously reported	\$ 3,023,744.06	\$ 6,417,637.57
Restatement:		
Ambulance A/R Adjustment	(31,035.87)	
Capital Asset Adjustment		105,008.68
Net Position January 1, 2023, as Restated	<u>\$ 2,992,708.19</u>	<u>\$ 6,522,646.25</u>
	<u>General Fund</u>	
Fund Balance January 1, 2023, as previously reported	\$ 151,088.85	
Restatement:		
Ambulance A/R Adjustment	(31,035.87)	
Fund Balance January 1, 2023, as Restated	<u>\$ 120,052.98</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Position January 1, 2023, as previously reported	\$ 2,829,737.59	\$ 1,796,766.17
Restatement:		
Capital Asset Adjustment	23,427.51	81,581.17
Net Position January 1, 2023, as Restated	<u>\$ 2,853,165.10</u>	<u>\$ 1,878,347.34</u>

12. RESTRICTED NET POSITION

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

SDRS Pension Purposes	\$ 56,623.07
Equipment Repair/Replacement	141,878.56
Total Restricted Net Position	<u>\$ 198,501.63</u>

These balances are restricted due to debt agreements, statutory requirements, and governmental accounting standards.

13. INTERFUND TRANSFERS

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

<u>Transfers From:</u>	<u>Transfers to:</u>
	<u>General Fund</u>
Major Funds:	
Water Fund	\$ 127,054.50
Electric Fund	55,000.00
Total	<u>\$ 182,054.50</u>

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

14. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has four 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 retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60% joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. 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, 2023, 2022, and 2021, were \$33,842.37, \$31,112.80, and \$27,337.54, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 3,007,253.45
Less proportionate share of net position restricted for pension benefits	<u>\$ 3,009,279.03</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,025.58)</u>

At December 31, 2023, the Municipality reported a liability (asset) of \$(2,025.58) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.02075300%, which is an increase (decrease) of 0.0003030% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of pension expense) of \$6,443.37. At December 31, 2023 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 57,416.21	
Changes in assumption.	\$ 69,251.95	\$ 101,230.93
Net difference between projected and actual earnings on pension plan investments.	\$ 13,485.65	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 10.61	\$ 1,506.82
Municipality contributions subsequent to the measurement date.	\$ 17,170.82	
TOTAL	<u>\$ 157,335.24</u>	<u>\$ 102,737.75</u>

\$17,170.82 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2024	\$ 27,013.09
2025	\$ (31,266.38)
2026	\$ 38,886.47
2027	\$ 2,793.49
TOTAL	<u>\$ 37,426.67</u>

Actuarial Assumptions:

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

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

Mortality Rates

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected Generationally with improvement scale MP-2020
- Active and Terminated Vested Members:
- Teachers, Certified Regents, and Judicial PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010
- Retired Members:
- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per Year until 111% of rates at age 83 and above.
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages.
- Beneficiaries:
- PubG-2010 contingent survivor mortality table
- Disabled Members:
- Public Safety: PubS-2010 disabled member mortality table
 - Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 415,173.93	\$ (2,025.58)	\$ (343,215.20)

Pension Plan Fiduciary Net Position:

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

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. RISK MANAGEMENT

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

Liability Insurance:

The Municipality 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 Municipality'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 Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made 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 Municipality pays an annual premium to the pool to provide coverage for general liability, vehicle coverage, property and building coverage, errors and omissions of officials and employee coverage.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 expenses whether reported or unreported at the time of their departure from the 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 Municipality reflected the effects of the SDPAA policy in the financial statement as a Change in Accounting Estimate in the Statement of Activities in the Fund Operating Statements and also eliminated the reporting Deposit on the Statement of Net Position and Fund Balance Sheet.

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.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over 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.

17. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through June 5, 2025, the date on which the financial statements were available to be issued.

The municipality is in Phase 6 Utility Improvement Project which is being funded through ARPA and SRF loans.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	216,400.00	216,400.00	214,108.56	(2,291.44)
General Sales and Use Taxes	505,000.00	505,000.00	560,440.60	55,440.60
Penalties & Interest on Delinquent Taxes	500.00	500.00	284.62	(215.38)
Licenses and Permits	12,450.00	12,450.00	10,225.00	(2,225.00)
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	6,200.00	6,200.00	1,887.17	(4,312.83)
State Grants	2,000.00	2,000.00	0.00	(2,000.00)
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	1,702.16	(1,297.84)
Prorate License Fees	1,200.00	1,200.00	3,471.27	2,271.27
Liquor Tax Reversion	6,000.00	6,000.00	8,207.19	2,207.19
Motor Vehicle Licenses	22,000.00	22,000.00	19,103.47	(2,896.53)
Local Government Highway and Bridge Fund	18,000.00	18,000.00	19,424.73	1,424.73
County Shared Revenue:				
County Road Tax	0.00	0.00	1,205.74	1,205.74
County Wheel Tax	2,500.00	2,500.00	4,160.21	1,660.21
Other	5,500.00	5,500.00	2,800.00	(2,700.00)
Charges for Goods and Services:				
Sanitation	93,500.00	93,500.00	102,623.55	9,123.55
Culture and Recreation	15,900.00	15,900.00	19,975.00	4,075.00
Ambulance	75,000.00	75,000.00	77,650.74	2,650.74
Fines and Forfeits:				
Court Fines and Costs	2,000.00	2,000.00	960.00	(1,040.00)
Miscellaneous Revenue:				
Investment Earnings	2,500.00	2,500.00	8,058.36	5,558.36
Rentals	30,521.00	30,521.00	34,361.00	3,840.00
Special Assessments	25,845.00	25,845.00	31,505.30	5,660.30
Other	19,200.00	19,200.00	24,559.88	5,359.88
Total Revenue	1,065,216.00	1,065,216.00	1,146,714.55	81,498.55
Expenditures:				
General Government:				
Executive	31,820.00	31,820.00	31,138.44	681.56
Elections	600.00	600.00	0.00	600.00
Financial Administration	207,152.00	213,877.00	213,809.27	67.73
Other	14,822.00	66,887.00	66,885.38	1.62
Total General Government	254,394.00	313,184.00	311,833.09	1,350.91

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (Cont.):				
Public Safety:				
Police	105,625.00	105,625.00	105,529.98	95.02
Fire	28,106.00	29,401.00	29,396.97	4.03
Total Public Safety	133,731.00	135,026.00	134,926.95	99.05
Public Works:				
Highways and Streets	255,638.00	266,398.00	372,068.29	(105,670.29)
Sanitation	138,251.00	138,251.00	137,557.20	693.80
Total Public Works	393,889.00	404,649.00	509,625.49	(104,976.49)
Health and Welfare:				
Health	2,000.00	2,000.00	62.87	1,937.13
Ambulance	56,031.00	56,031.00	44,964.14	11,066.86
Total Health and Welfare	58,031.00	58,031.00	45,027.01	13,003.99
Culture and Recreation:				
Recreation	90,811.00	111,253.00	119,590.15	(8,337.15)
Parks	109,199.00	109,199.00	86,733.75	22,465.25
Libraries	105,896.00	105,896.00	99,301.50	6,594.50
Auditorium	25,796.00	27,151.00	27,146.31	4.69
Total Culture and Recreation	331,702.00	353,499.00	332,771.71	20,727.29
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	20,049.00	20,049.00	17,629.79	2,419.21
Total Conservation and Development	20,049.00	20,049.00	17,629.79	2,419.21
Debt Service from Fire	55,000.00	55,000.00	47,518.47	7,481.53
Total Expenditures	1,246,796.00	1,339,438.00	1,399,332.51	(59,894.51)
Excess of Revenue Over (Under) Expenditures	(181,580.00)	(274,222.00)	(252,617.96)	21,604.04
Other Financing Sources (Uses):				
Transfers In	181,080.00	181,080.00	182,054.50	974.50
Sale of Municipal Property	500.00	500.00	9,500.00	9,000.00
Long-Term Debt Issued	0.00	0.00	119,350.00	119,350.00
Total Other Financing Sources (Uses)	181,580.00	181,580.00	310,904.50	129,324.50
Net Change in Fund Balances	0.00	(92,642.00)	58,286.54	150,928.54
Fund Balance - Beginning	151,088.85	151,088.85	151,088.85	0.00
Adjustments:				
Adjustment for Ambulance A/R (Note 11.)	0.00	0.00	(31,035.87)	(31,035.87)
Adjusted Fund Balance - Beginning	151,088.85	151,088.85	120,052.98	(31,035.87)
FUND BALANCE - ENDING	151,088.85	58,446.85	178,339.52	119,892.67

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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, 2023.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Nine Years *

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.0207530%	\$ (2,025.59)	535,294.60	0.38%	100.10%
2022	0.0204500%	\$ (1,932.65)	543,311.16	0.36%	100.10%
2021	0.1958200%	\$ (149,964.61)	444,378.71	33.75%	105.52%
2020	0.0184095%	\$ (799.52)	404,033.14	0.20%	100.04%
2019	0.0182349%	\$ (1,932.40)	387,710.57	0.50%	100.09%
2018	0.0178804%	\$ (417.01)	371,717.12	0.11%	100.02%
2017	0.0172951%	\$ (1,569.55)	355,043.37	0.44%	100.10%
2016	0.0171954%	\$ 58,084.37	320,778.98	18.11%	96.89%
2015	0.0166373%	\$ (70,563.54)	304,000.00	23.21%	104.10%

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Nine Years *

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Municipality's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 33,842.37	\$ 33,842.37	\$ -	\$ 546,037.88	6.20%
2022	\$ 31,112.80	\$ 31,112.80	\$ -	\$ 573,535.73	5.42%
2021	\$ 27,337.54	\$ 27,337.54	\$ -	\$ 455,623.77	6.00%
2020	\$ 24,839.36	\$ 24,839.36	\$ -	\$ 413,990.37	6.00%
2019	\$ 23,766.39	\$ 23,766.39	\$ -	\$ 396,107.11	6.00%
2018	\$ 22,918.05	\$ 22,918.05	\$ -	\$ 381,966.64	6.00%
2017	\$ 21,762.70	\$ 21,762.70	\$ -	\$ 362,713.91	6.00%
2016	\$ 20,803.32	\$ 20,803.32	\$ -	\$ 346,719.49	6.00%
2015	\$ 17,584.53	\$ 17,584.53	\$ -	\$ 293,074.45	6.00%

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

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

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation

Actuarial Assumption Changes

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

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

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

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

MUNICIPALTY OF PARKER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2023
US Department of Treasury - Direct Programs: Coronavirus State and Local Fiscal Recovery Funds (Note 3)	21.027	N/A	2,354,952.74
Total US Department of Treasury			2,354,952.74
US Department of Homeland Security - Pass-Through Programs: SD Department of Public Safety - Office of Emergency Management, Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	*	1,887.17
Total US Department of Homeland Security			1,887.17
GRAND TOTAL			\$2,356,839.91

*Pass-Through Entity Identifying Number Not Provided

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Exclusion of Component Unit

The accompanying schedule of expenditures of federal awards presents the activities of Municipality of Parker. The federal expenditures of the Parker Volunteer Fire Department, Parker Development Corporation, and the Housing and Redevelopment Commission of the Municipality of Parker, discretely presented component units for which an adverse opinion was issued on its financial statements, are not excluded from this.