

**MUNICIPALITY OF PARKSTON  
PARKSTON, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF PARKSTON

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2022

MAYOR:

Dave Hoffman

GOVERNING BOARD:

Jeff Murtha, President  
Charles McKean, Vice-President  
Dale Hofer  
Caroline Kniffen  
Scott Kniffen  
Corrinna Wagner

FINANCE OFFICER:

April Stage

ATTORNEY:

Braley Law Offices

*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

Municipal Council  
Municipality of Parkston  
Parkston, 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 Parkston, South Dakota (Municipality), as of December 31, 2022, and for the year then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated December 6, 2023.

Report On Internal Control Over Financial Reporting

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

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 as items 2022-001 and 2022-002, to be material weaknesses.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 as items 2022-003 and 2022-004.

### Municipality's Response 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 of Parkston's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### Purpose of this Report

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  
December 6, 2023

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR OTHER AUDIT FINDINGS:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed 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 2022-001.

Finding Number 2021-002:

Expenditures exceeded the amounts budgeted in the Bed and Booze Sales Tax Fund. The 3<sup>rd</sup> Street Park Fund, the TIF #1 Project Fund and the Pond Turf Fund were budgeted to spend more than was available. The General Fund expenditures exceeded the amounts budgeted in one department. This comment has not been corrected and is restated as a similar comment as current audit finding number 2022-003.

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## SCHEDULE OF CURRENT AUDIT FINDINGS

### CURRENT AUDIT FINDINGS:

#### Internal Control – Related Finding – Material Weakness:

##### Finding Number 2022-001:

##### Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is a continuing audit comment since 1997.

##### Criteria:

Proper segregation of duties results in increased reliability of reported financial data. 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 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 Parkston officials be cognizant of this 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.

##### Management's Response:

The Municipality of Parkston Mayor, Tim Semmler, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Parkston, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing policies and attempting to provide compensating controls.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Finding Number 2022-002:

Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is the first audit in which a similar audit comment has occurred.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause of Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. The following deficiencies in internal accounting control and record keeping were noted:

- a. Water Deposits need to be accurately tracked by the Municipality. A \$18,136.30 adjustment was made to correct the variance between the Water Deposit listing and financial statements.
- b. Capital asset additions and deletions should be updated at year-end on the depreciation schedule and adjusted accordingly on the municipal records.
- c. The accounts payable balances were adjusted to zero for year-end. There were several account payable posting errors made in fiscal year 2022.
- d. The finance officer needs to reconcile outstanding taxes with the county auditor and report the correct amounts.
- e. The finance officer should reconcile special assessments to the county auditor at year end and track outstanding to ensure that all amounts reported as receivable are correct.
- f. Long term debt payable should be adjusted to actual at year end.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding." SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Potential Effect of Condition:

As a result, 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, and improper records were maintained for the Municipality of Parkston.

Recommendation:

2. We recommend that financial information be more accurately presented.
3. We recommend that all necessary accounting records be established and properly maintained.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Management's Response:

The Municipality of Parkston Mayor, Tim Semmler, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2022-003:

Condition:

The General Fund expenditures exceeded the amounts budgeted in the General Fund by \$499,927.52. Expenditures exceeded the amounts budgeted in the Bed and Booze Sales Tax Fund, 3<sup>rd</sup> Street Park Fund, Special Assessment Fund, and Pond Turf Project Fund as no expenditure budget was approved for these funds. This is a continuing audit comment since 2015.

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 office 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 purpose, or 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." Also, SDCL 9-21-7 states, "when such occasions arise the governing body of such municipality may make, approve and adopt a supplemental appropriation ordinance, providing therein for appropriations for any or such purposes in such amounts as said governing body may determine necessary."

Cause of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality did not adopt expenditure budgets for several of the funds as required by SDCL 9-21-2.

Potential Effect of Condition:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

4. We recommend that expenditure budgets be adopted in accordance with SDCL 9-21-2 and 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 to allow for expenditures.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Management's Response:

The Municipality of Parkston Mayor, Tim Semmler, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

Finding Number 2022-004:

Condition:

The Municipality of Parkston committed several violations of laws. This is the first audit in which a similar audit comment has occurred.

Criteria:

The Municipality should adhere to state and federal laws as they apply to municipal governments.

Cause of Condition:

We examined several instances which were in violation of state laws. The following violations were noted:

- a. The W-2s for 2019, 2020 and 2021 were not submitted to the Social Security Administration.
- b. The 2022 W-2s incorrectly reported Aflac in box 10 as dependent care benefits.
- c. There have been numerous IRS letters received in 2023. Some of the issues include the following: a 2020 Form 941 not submitted, a 2021 Form 941 submitted without Schedule B, and 2020 W-2s and W-3 not submitted.
- d. The known issues for a. through c. above have been corrected in 2023.

Potential Effect of Condition:

Various laws and regulations were not followed.

Recommendation:

5. We recommend that all laws and regulations be followed by the Municipality.

Management's Response:

The Municipality of Parkston Mayor, Tim Semmler, is the contact person responsible for the corrective action plan for this comment. We will follow all laws and regulations and gain proper education to become aware of the current laws.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the mayor, finance committee, finance officer, and assistant finance officer on December 22, 2023.

*Schoenfish & Co., Inc.*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Parkston  
Parkston, South Dakota

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Parkston, South Dakota, (Municipality) as of December 31, 2022, 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.

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 Parkston as of December 31, 2022, 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 Opinions

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

#### 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 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 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

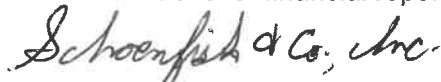
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The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, 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  
December 6, 2023

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION**  
**December 31, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	2,308,348.10	2,304,870.65	4,613,218.75
Investments	400,000.00		400,000.00
Accounts Receivable, Net	83,261.00	46,174.52	129,435.52
Inventories	18,307.53	35,364.25	53,671.78
Net Pension Asset	1,582.45	27.94	1,610.39
Capital Assets:			
Land and Construction in Progress	195,945.41	221,445.75	417,391.16
Other Capital Assets, Net of Depreciation	8,593,593.91	2,548,768.08	11,142,361.99
<b>TOTAL ASSETS</b>	<b>11,601,038.40</b>	<b>5,156,651.19</b>	<b>16,757,689.59</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	138,277.09	2,441.75	140,718.84
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>138,277.09</b>	<b>2,441.75</b>	<b>140,718.84</b>
<b>LIABILITIES :</b>			
Other Current Liabilities		60,750.00	60,750.00
Unearned Revenue		139,087.81	139,087.81
Noncurrent Liabilities:			
Due Within One Year		80,519.23	80,519.23
Due in More than One Year		535,478.53	535,478.53
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>815,835.57</b>	<b>815,835.57</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	93,399.35	1,649.29	95,048.64
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>93,399.35</b>	<b>1,649.29</b>	<b>95,048.64</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,789,539.32	2,154,216.07	10,943,755.39
Restricted for:			
Equipment Repair & Replacement Purposes		875,520.83	875,520.83
Parks and Promotion Purposes	410,547.84		410,547.84
Street Project Purposes	12,395.69		12,395.69
SDSR Pension Purposes	46,460.19	820.40	47,280.59
Unrestricted	2,386,973.10	1,311,050.78	3,698,023.88
<b>TOTAL NET POSITION</b>	<b>11,645,916.14</b>	<b>4,341,608.08</b>	<b>15,987,524.22</b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	184,142.04	22,368.60			(161,773.44)	(161,773.44)
Public Safety	233,746.41	867.16			(232,879.25)	(232,879.25)
Public Works	820,868.52	34,422.28	62,547.88	236,697.10	(487,201.26)	(487,201.26)
Culture and Recreation	353,049.51	11,060.46	18,518.11	235,233.45	(88,237.49)	(88,237.49)
Conservation and Development	4,262.81				(4,262.81)	(4,262.81)
Miscellaneous		10,680.00			10,680.00	10,680.00
Total Governmental Activities	1,596,069.29	79,398.50	81,065.99	471,930.55	(963,674.25)	(963,674.25)
Business-type Activities:						
Water	320,026.36	317,320.71			(2,705.65)	(2,705.65)
Sewer	134,154.35	271,021.80			136,867.45	136,867.45
Total Business-type Activities	454,180.71	588,342.51	0.00	0.00	134,161.80	134,161.80
Total Primary Government	2,050,250.00	667,741.01	81,065.99	471,930.55	(963,674.25)	(829,512.45)
General Revenues:						
Taxes:						
Property Taxes						
Sales Taxes						
State Shared Revenues						
Grants and Contributions not Restricted to Specific Programs						
Unrestricted Investment Earnings						
Miscellaneous Revenue						
Total General Revenues						
Change in Net Position						
Net Position - Beginning						
NET POSITION - ENDING						

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



**MUNICIPALITY OF PARKSTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2022**

	General Fund	Bed & Boozie Sales Tax Fund	Special Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total Governmental Funds
<b>ASSETS:</b>								
Cash and Cash Equivalents	1,402,488.79	180,679.04	466,006.05	16,909.73	229,718.80	12,395.69	150.00	2,308,348.10
Investments	400,000.00							400,000.00
Taxes Receivable--Delinquent	6,960.02							6,960.02
Special Assessments Receivable--Current			14,243.76					14,243.76
Special Assessments Receivable--Delinquent			8,551.04					8,551.04
Special Assessments Receivable--Deferred			52,059.13					52,059.13
Due from Other Governments	1,447.05							1,447.05
Inventory of Supplies	18,307.53							18,307.53
<b>TOTAL ASSETS</b>	<b>1,829,203.39</b>	<b>180,679.04</b>	<b>540,859.98</b>	<b>16,909.73</b>	<b>229,718.80</b>	<b>12,395.69</b>	<b>150.00</b>	<b>2,809,916.63</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>								
Deferred Inflows of Resources:								
Unavailable Revenue - Property Taxes	6,960.02		74,853.93					6,960.02
Unavailable Revenue - Special Assessments			74,853.93					74,853.93
Total Deferred Inflows of Resources	6,960.02	0.00	74,853.93	0.00	0.00	0.00	0.00	81,813.95
Fund Balances:								
Nonspendable - Inventory	18,307.53							18,307.53
Restricted for Street Projects						12,395.69		12,395.69
Restricted for Parks and Promotion		180,679.04			229,718.80		150.00	410,547.84
Committed for Rubble Site Expansion	48,945.00							48,945.00
Assigned for Special Assessments			466,006.05					466,006.05
Assigned for Library Fines				16,909.73				16,909.73
Unassigned	1,754,990.84							1,754,990.84
Total Fund Balances	1,822,243.37	180,679.04	466,006.05	16,909.73	229,718.80	12,395.69	150.00	2,728,102.68
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,829,203.39</b>	<b>180,679.04</b>	<b>540,859.98</b>	<b>16,909.73</b>	<b>229,718.80</b>	<b>12,395.69</b>	<b>150.00</b>	<b>2,809,916.63</b>

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

**MUNICIPALITY OF PARKSTON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2022**

Total Fund Balances - Governmental Funds	<u>2,728,102.68</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>1,582.45</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>8,789,539.32</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>138,277.09</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>81,813.95</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(93,399.35)</u>
Net Position - Governmental Activities	<u><u>11,645,916.14</u></u>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Bed & Booze Sales Tax Fund	Special Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total Governmental Funds
<b>Revenues:</b>								
<b>Taxes:</b>								
General Property Taxes	771,859.21					7,173.14		779,032.35
General Sales and Use Taxes	896,399.03	41,688.69						938,087.72
Penalties and Interest on Delinquent Taxes	527.87							527.87
Licenses and Permits	480.60							480.60
<b>Intergovernmental Revenue:</b>								
Federal Grants	154,297.77							154,297.77
State Grants	251.67							251.67
State Shared Revenue:								
Bank Franchise Tax	11,895.59							11,895.59
Prorate License Fees	4,693.89							4,693.89
Liquor Tax Reversion	10,980.33							10,980.33
Motor Vehicle Licenses	20,502.74							20,502.74
Local Government Highway and Bridge Fund	27,889.25							27,889.25
County Shared Revenue:								
County Road Tax	976.26							976.26
County Wheel Tax	8,234.07							8,234.07
<b>Charges for Goods and Services:</b>								
General Government	5,845.77							5,845.77
Public Safety	786.28							786.28
Highways and Streets	156.00							156.00
Sanitation	339.00							339.00
Culture and Recreation	7,826.79							7,826.79
Other	24,402.28							24,402.28
<b>Fines and Forfeits:</b>								
Court Fines and Costs	80.88							80.88
Library				3,233.67				3,233.67

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Bed & Booze Sales Tax Fund	Special Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total Governmental Funds
<b>Revenues (Continued):</b>								
Miscellaneous Revenue:								
Investment Earnings	8,100.84	465.36	1,251.71	8.53				9,826.44
Rentals	25,567.23							25,567.23
Special Assessments			110,560.05					110,560.05
Contributions and Donations								
from Private Sources	50.00			3,796.41	226,320.00		8,913.45	239,079.86
Liquor Operating Agreement Income	10,680.00							10,680.00
Other	2,447.05							2,447.05
<b>Total Revenue</b>	<b>1,995,270.40</b>	<b>42,154.05</b>	<b>111,811.76</b>	<b>7,038.61</b>	<b>226,320.00</b>	<b>7,173.14</b>	<b>8,913.45</b>	<b>2,398,681.41</b>
<b>Expenditures:</b>								
General Government:								
Legislative	83,062.10							83,062.10
Elections	1,793.72							1,793.72
Financial Administration	65,603.71							65,603.71
Other	30,760.40							30,760.40
<b>Total General Government</b>	<b>181,219.93</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>181,219.93</b>
Public Safety:								
Police	210,952.58							210,952.58
Other Protection	17,120.73							17,120.73
<b>Total Public Safety</b>	<b>228,073.31</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>228,073.31</b>
Public Works:								
Highways and Streets	329,034.49		175.00					329,209.49
Sanitation	7,312.44							7,312.44
Airport	69,113.64							69,113.64
<b>Total Public Works</b>	<b>405,460.57</b>	<b>0.00</b>	<b>175.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>405,635.57</b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Bed & Booze Sales Tax Fund	Special Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>								
Culture and Recreation:								
Recreation	97,808.94							97,808.94
Parks	75,892.92				463.30		20,642.17	96,998.39
Libraries	111,259.41			2,727.51				113,986.92
Total Culture and Recreation	284,961.27	0.00	0.00	2,727.51	463.30	0.00	20,642.17	308,794.25
Conservation and Development:								
Economic Development and Assistance (Industrial Development)	4,112.81	150.00						4,262.81
Total Conservation and Development	4,112.81	150.00	0.00	0.00	0.00	0.00	0.00	4,262.81
Capital Outlay	707,377.63	0.00	0.00	0.00	0.00	0.00	15,865.00	723,242.63
Total Expenditures	1,811,205.52	150.00	175.00	2,727.51	463.30	0.00	36,507.17	1,851,228.50
Excess of Revenue Over (Under) Expenditures	184,064.88	42,004.05	111,636.76	4,311.10	225,856.70	7,173.14	(27,593.72)	547,452.91
<b>Other Financing Sources (Uses):</b>								
Sale of Municipal Property	25,500.00							25,500.00
Compensation for Loss or Damage to Capital Assets	50,737.28							50,737.28
Total Other Financing Sources (Uses)	76,237.28	0.00	0.00	0.00	0.00	0.00	0.00	76,237.28
Net Change in Fund Balances	260,302.16	42,004.05	111,636.76	4,311.10	225,856.70	7,173.14	(27,593.72)	623,690.19
Fund Balance - Beginning	1,561,941.21	138,674.99	354,369.29	12,598.63	3,862.10	5,222.55	27,743.72	2,104,412.49
FUND BALANCE - ENDING	1,822,243.37	180,679.04	466,006.05	16,909.73	229,718.80	12,395.69	150.00	2,728,102.68

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

**MUNICIPALITY OF PARKSTON**  
**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, 2022**

Net Change in Fund Balances - Total Governmental Funds	<u>623,690.19</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>723,242.63</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>(474,171.59)</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>978.90</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>(13,439.02)</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. (Pension Expense)	<u>(2,524.93)</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>8,613.10</u>
Change in Net Position of Governmental Activities	<u><u>866,389.28</u></u>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	1,229,317.50	1,075,553.15	2,304,870.65
Accounts Receivable, Net	22,248.72	23,925.80	46,174.52
Inventory of Supplies	35,364.25		35,364.25
Total Current Assets	1,286,930.47	1,099,478.95	2,386,409.42
Noncurrent Assets:			
Net Pension Asset	14.42	13.52	27.94
Capital Assets:			
Land	751.00	41,801.00	42,552.00
Buildings	37,375.00		37,375.00
Improvements Other Than Buildings	1,381,306.01	3,324,959.74	4,706,265.75
Machinery and Equipment	271,097.05	84,346.52	355,443.57
Construction Work in Progress		178,893.75	178,893.75
Less: Accumulated Depreciation	(1,122,221.11)	(1,428,095.13)	(2,550,316.24)
Total Noncurrent Assets	568,322.37	2,201,919.40	2,770,241.77
<b>TOTAL ASSETS</b>	<b>1,855,252.84</b>	<b>3,301,398.35</b>	<b>5,156,651.19</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,260.09	1,181.66	2,441.75
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,260.09</b>	<b>1,181.66</b>	<b>2,441.75</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Notes Payable - Current		45,886.38	45,886.38
Customer Deposits	60,750.00		60,750.00
Unearned Revenue	7,024.34	132,063.47	139,087.81
Bonds Payable Current:			
Revenue		34,632.85	34,632.85
Total Current Liabilities	67,774.34	212,582.70	280,357.04
Noncurrent Liabilities:			
Bonds Payable:			
Revenue		385,914.79	385,914.79
Other Long-Term Debt		149,563.74	149,563.74
Total Noncurrent Liabilities	0.00	535,478.53	535,478.53
<b>TOTAL LIABILITIES</b>	<b>67,774.34</b>	<b>748,061.23</b>	<b>815,835.57</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	851.13	798.16	1,649.29
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>851.13</b>	<b>798.16</b>	<b>1,649.29</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	568,307.95	1,585,908.12	2,154,216.07
Restricted For:			
Equipment Repair and/or Replacement	272,466.52	603,054.31	875,520.83
SDRS Pension Purposes	423.38	397.02	820.40
Unrestricted	946,689.61	364,361.17	1,311,050.78
<b>TOTAL NET POSITION</b>	<b>1,787,887.46</b>	<b>2,553,720.62</b>	<b>4,341,608.08</b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	316,946.60	271,021.80	587,968.40
Miscellaneous	374.11		374.11
<b>Total Operating Revenue</b>	<b>317,320.71</b>	<b>271,021.80</b>	<b>588,342.51</b>
<b>Operating Expenses:</b>			
Personal Services	8,931.91	4,361.77	13,293.68
Other Current Expense	90,741.14	9,767.69	100,508.83
Materials (Cost of Goods Sold)	173,574.50		173,574.50
Depreciation	39,404.29	98,707.13	138,111.42
<b>Total Operating Expenses</b>	<b>312,651.84</b>	<b>112,836.59</b>	<b>425,488.43</b>
<b>Operating Income (Loss)</b>	<b>4,668.87</b>	<b>158,185.21</b>	<b>162,854.08</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	3,514.78	2,604.90	6,119.68
Interest Expense		(21,317.76)	(21,317.76)
Gain (Loss) on Disposition of Assets	(7,374.52)		(7,374.52)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(3,859.74)</b>	<b>(18,712.86)</b>	<b>(22,572.60)</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>809.13</b>	<b>139,472.35</b>	<b>140,281.48</b>
Capital Contributions	(17,369.75)	17,369.75	0.00
<b>Change in Net Position</b>	<b>(16,560.62)</b>	<b>156,842.10</b>	<b>140,281.48</b>
<b>Net Position - Beginning</b>	<b>1,804,448.08</b>	<b>2,396,878.52</b>	<b>4,201,326.60</b>
<b>NET POSITION - ENDING</b>	<b>1,787,887.46</b>	<b>2,553,720.62</b>	<b>4,341,608.08</b>

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



**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	341,171.14	263,283.45	604,454.59
Cash Payments to Employees for Services	(8,101.91)	(3,627.53)	(11,729.44)
Cash Payments to Suppliers of Goods and Services	(278,905.94)	(10,734.24)	(289,640.18)
Net Cash Provided (Used) by Operating Activities	54,163.29	248,921.68	303,084.97
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets		(214,243.27)	(214,243.27)
Principal Paid on Capital Debt		(86,670.40)	(86,670.40)
Interest Paid on Capital Debt		(21,317.76)	(21,317.76)
Net Cash (Used) by Capital and Related Financing Activities	0.00	(322,231.43)	(322,231.43)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	3,514.78	2,604.90	6,119.68
Net Cash Provided by Investing Activities	3,514.78	2,604.90	6,119.68
Net Increase (Decrease) in Cash and Cash Equivalents	57,678.07	(70,704.85)	(13,026.78)
Balances - Beginning	1,171,639.43	1,146,258.00	2,317,897.43
Balances - Ending	1,229,317.50	1,075,553.15	2,304,870.65
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	4,668.87	158,185.21	162,854.08
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	39,404.29	98,707.13	138,111.42
(Increase) decrease in Receivables	(1,643.95)	(7,738.35)	(9,382.30)
(Increase) decrease in Net Pension Asset	3,753.98	3,387.74	7,141.72
(Increase) decrease in Pension Related Deferred Outflows	3,565.85	3,174.09	6,739.94
(Decrease) increase in Accounts and Other Payables	(14,590.30)	(966.55)	(15,556.85)
(Decrease) increase in Pension Related Deferred Inflows	(6,489.83)	(5,827.59)	(12,317.42)
(Decrease) increase in Customer Deposits	20,850.00		20,850.00
(Decrease) increase in Unearned Revenue	4,644.38		4,644.38
Net Cash Provided (Used) by Operating Activities	54,163.29	248,921.68	303,084.97
Noncash Investing, Capital and Financing Activities:			
Loss on Disposition of Assets	(7,374.52)		(7,374.52)
Capital Contributions	(17,369.75)	17,369.75	0.00

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

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

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

The Statement of Net 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.

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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

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

Bed and Booze Sales Tax – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the city. (SDCL 10-52-8) This is a major fund.

Special Assessment Revolving Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of the cost of such improvement assumed by the municipality and to advance the portion of such cost ultimately to be paid from collections of assessments. (SDCL 9-43-69) This is a major fund.

Library Fines Fund – to account for fines and similar charges, deposited in a library board bank account subject to checks by the librarian for library purposes. (SDCL 14-2-42 and AGR 82-33) This is a major fund.

3<sup>rd</sup> Street Park Fund – to account for any gift, grant, devise or bequest made by any person, private agency, agency of state government, the federal government, or any of its agencies for park purposes. (SDCL 9-38-112) This is a major fund.

Tax Increment Fund (TIF) #1 District Fund – TIF #1 is allowed by SDCL 11-9-36 to account for the proceeds of incremental property taxes, restricted to the allowable development costs outlined in the project plan. This is a major fund.

Pond Turf Fund – to account for any gift, grant, devise, or bequest made by any person, private agency, agency of the state, the federal government, or any of its agencies for park purposes. This is 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.)

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

c. Measurement Focus and Basis of Accounting:

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

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 and fiduciary funds.

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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "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 Parkston, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2022 are amounts due from other governments and county taxes.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 debt which are recognized when due.

All proprietary funds and fiduciary 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 or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

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 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, 2022 balance of governmental activities capital assets includes approximately one percent for which the costs were determined by estimates of the original costs. The total December 31, 2022 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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."

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

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:

	Threshold	Method	Useful Life
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 1,000.00	Straight-line	40-50 yrs.
Buildings	\$ 1,000.00	Straight-line	20-80 yrs.
Machinery & Equipment	\$ 1,000.00	Straight-line	10-35 yrs.
Infrastructure	\$ 1,000.00	Straight-line	40-50 yrs.
Utility property and improvements	\$ 1,000.00	Straight-line	40-50 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 and SRF loans.

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 debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

#### 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:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 and 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.

k. Equity Classifications:

Government-wide 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 their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

3. Unrestricted net position – All other net position that do 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 are available.

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

The Municipal Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>12/31/22 Amount</u>	<u>Action</u>
Rubble Sight Expansion	\$ 48,945.00	Ordinance

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.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Bed & Booze Sales Tax Fund	Sales Tax
Special Assessment Revolving Fund	Special Assessments
Library Fines Fund	Fines and Donations
3rd Street Park Fund	Donations
TIF #1	Property Taxes
Pond Turf Fund	Donations

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:

	<u>Year Ended</u> <u>12/31/2022</u>
General Fund:	
<u>Activity</u>	
Legislative	\$ 3,853.10
Elections	843.72
Police	1,669.58
Other Protection	4,420.73
Highways and Streets	469,955.59
Airport	30,080.17
Parks	24,062.92
Libraries	10,108.41
Bed & Booze Sales Tax Fund	
<u>Activity</u>	
Economic Development and Assistance (Industrial Development)	\$ 150.00
Special Assessment Fund:	
<u>Activity</u>	
Highways and Streets	\$ 175.00
Pond Turf Fund:	
<u>Activity</u>	
Parks	\$ 36,507.17
3rd Street Park Fund:	
<u>Activity</u>	
Parks	\$ 463.30

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The Municipal Council plans to take the following actions to address these violations: supplemental budgets will be used when legal authority allows.

**3. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

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

Deposits - The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as 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 shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2022, the Municipality's deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>% Under-collateralized</u>	<u>At-Risk Amount</u>
Farmers State Bank	6.97%	<u>\$ 332,496.06</u>
Total Deposits Exposed to Custodial Credit Risk		<u><u>\$ 332,496.06</u></u>

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and 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 consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the General Fund is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

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, purchases of supply inventory items are recorded as expenditures at the time individual inventory items are purchased. Material supply inventories are equally 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**7. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the two years ended December 31, 2022, is as follows:

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	186,817.88			186,817.88
Construction Work in Progress	523,894.31	9,127.53	(523,894.31)	9,127.53
Total, not being depreciated	710,712.19	9,127.53	(523,894.31)	195,945.41
Capital Assets, being Depreciated:				
Buildings	396,941.69			396,941.69
Improvements Other Than Buildings	10,107,337.70	999,174.52		11,106,512.22
Machinery and Equipment	1,219,317.58	238,834.89		1,458,152.47
Total, being Depreciated	11,723,596.97	1,238,009.41	0.00	12,961,606.38
Less Accumulated Depreciation for:				
Buildings	(208,569.47)	(7,006.99)		(215,576.46)
Improvements Other Than Buildings	(2,890,314.09)	(396,469.06)		(3,286,783.15)
Machinery and Equipment	(794,957.32)	(70,695.54)		(865,652.86)
Total Accumulated Depreciation	(3,893,840.88)	(474,171.59)	0.00	(4,368,012.47)
Total Capital Assets, being depreciated, net	7,829,756.09	763,837.82	0.00	8,593,593.91
Governmental Activity Capital Assets, Net	8,540,468.28	772,965.35	(523,894.31)	8,789,539.32

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	3,768.37
Public Safety	8,741.53
Public Works	416,742.82
Culture and Recreation	44,918.87
Total Depreciation Expense - Governmental Activities	474,171.59

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	42,552.00			42,552.00
Construction Work in Progress	176,173.43	178,893.75	(176,173.43)	178,893.75
Total, not being depreciated	218,725.43	178,893.75	(176,173.43)	221,445.75
Capital Assets, being Depreciated:				
Buildings	37,375.00			37,375.00
Improvements Other Than Buildings	4,494,742.80	211,522.95		4,706,265.75
Machinery and Equipment	362,818.09		(7,374.52)	355,443.57
Total, being Depreciated	4,894,935.89	211,522.95	(7,374.52)	5,099,084.32
Less Accumulated Depreciation for:				
Buildings	(37,375.00)			(37,375.00)
Improvements Other Than Buildings	(2,136,435.85)	(125,779.37)		(2,262,215.22)
Machinery and Equipment	(238,393.97)	(12,332.05)		(250,726.02)
Total Accumulated Depreciation	(2,412,204.82)	(138,111.42)	0.00	(2,550,316.24)
Total Capital Assets, being depreciated, net	2,482,731.07	73,411.53	(7,374.52)	2,548,768.08
Business-Type Activity Capital Assets, Net	2,701,456.50	252,305.28	(183,547.95)	2,770,213.83

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	39,404.29
Sewer	98,707.13
Total Depreciation Expense - Business-Type Activities	138,111.42

Construction Work in Progress at December 31, 2022, is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2022	Committed	Required Future Financing
Parkston Airport Runway Reconstruction Project	3,600,000.00	9,127.53	3,590,872.47	0.00
Lagoon Project	4,400,000.00	178,893.75	2,294,846.25	1,926,260.00
TOTAL	8,000,000.00	188,021.28	5,885,718.72	1,926,260.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**8. LONG-TERM DEBT**

A summary of changes in long-term debt follows:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Due Within One Year
Primary Government:					
Business-Type Activities:					
State Revolving Fund Loan -					
Clean Water #1	304,302.50		33,870.46	270,432.04	26,132.11
Rural Development Sewer Project					
Revenue Bonds, Series 2015	158,365.66		8,250.06	150,115.60	8,500.74
Direct Borrowing Notes					
Payable - Santel	240,000.00		44,549.88	195,450.12	45,886.38
Total Business-Type Activities	<u>702,668.16</u>	<u>0.00</u>	<u>86,670.40</u>	<u>615,997.76</u>	<u>80,519.23</u>
TOTAL PRIMARY GOVERNMENT	<u><u>702,668.16</u></u>	<u><u>0.00</u></u>	<u><u>86,670.40</u></u>	<u><u>615,997.76</u></u>	<u><u>80,519.23</u></u>

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

State Revolving Fund Loan – Clean Water #1:

State Revolving Fund Loan – Clean Water #1, \$ 270,432.04  
Original Issue \$635,690.00, Maturing  
January 15, 2030, Interest Rate of 3.25%,  
Paid By Sewer Fund

Revenue Bonds:

Sewer Project Revenue Bonds, Series 2015, \$ 150,115.60  
Original Issue \$300,000.00, Maturing May 4, 2037,  
Fixed Interest of 3.00%, Debt Paid by the Sewer Fund

Direct Borrowing Notes Payable – Santel Communication:

Sewer Project Notes Payable, \$ 195,450.12  
Original Issue \$240,000.00, Maturing May 1, 2027,  
Fixed Interest of 3.00%, Debt Paid by the Sewer Fund

The Municipality's outstanding note from direct borrowings related to business activities of \$195,450.12 includes provisions that in the event of default, the Holder may require to pay immediately the full amount of principal which has not been paid and all the interest that the Borrower owes on that amount.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2022

Year Ending December 31,	State Revolving Fund Loan Clean Water #1		Rural Development Sewer Project Revenue Bonds, Series 2015	
	Principal	Interest	Principal	Interest
2023	26,132.11	6,380.60	8,500.74	4,387.26
2024	35,844.44	7,505.84	8,759.30	4,128.70
2025	37,023.66	6,326.62	9,025.74	3,862.26
2026	38,241.67	5,108.61	9,300.26	3,587.74
2027	39,499.76	3,850.52	9,583.14	3,304.86
2028-2032	93,690.40	3,847.73	52,469.23	11,970.77
2033-2037			52,477.19	4,443.81
Totals	270,432.04	33,019.92	150,115.60	35,685.40

Year Ending December 31,	Direct Borrowing Notes Payable- Santel Communications		Totals	
	Principal	Interest	Principal	Interest
2023	45,886.38	5,863.50	80,519.23	16,631.36
2024	47,262.97	4,486.91	91,866.71	16,121.45
2025	48,680.86	3,069.02	94,730.26	13,257.90
2026	50,141.28	1,608.60	97,683.21	10,304.95
2027	3,478.63	104.36	52,561.53	7,259.74
2028-2032			146,159.63	15,818.50
2033-2037			52,477.19	4,443.81
Totals	195,450.12	15,132.39	615,997.76	83,837.71

#### 9. LONG-TERM COMMITMENT

The Municipality of Parkston entered into a forty-year commitment with B-Y Water District to provide water to the Municipality. A monthly service charge in the amount of \$1,318.00 is paid by the Municipality to B-Y Water District along with a charge of \$0.00310 per gallon of water consumed. The monthly service charge represents a contribution by the Municipality to aid B-Y Water District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these lease payments. Payments are made from the Municipality's Water Fund. The following are the minimum payments on this existing commitment.

2023	\$ 15,816.00
2024	\$ 15,816.00
2025	\$ 15,816.00
2026	\$ 10,544.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

# 10. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2022 were as follows:

<u>Major Purpose</u>	<u>Restricted By</u>	<u>12/31/2022</u>
Parks & Promotion	Law	\$ 410,547.84
	Governmental	
SDRS Pension	Accounting Standards	47,280.59
	Governmental	
Equipment Repair & Replacement	Accounting Standards	875,520.83
	Governmental	
Street Project Purposes	Accounting Standards	12,395.69
Total Restricted Net Position		<u>\$ 1,345,744.95</u>

# 11. PENSION PLAN

## Plan Information:

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

## Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5 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, 2022, 2021, and 2020, were \$19,144.71, \$22,780.97, and \$22,271.51, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2022, SDRS is 100.10% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 2,405,471.92
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,407,082.31</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,610.39)</u></u>

At December 31, 2022, the Municipality reported a liability (asset) of \$(1,610.39) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.01704000%, which is an increase (decrease) of 0.0002540% from its proportion measured as of June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of pension expense) of (\$4,523.93). At December 31, 2022 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.	\$ 30,654.94	\$ 104.54
Changes in assumption.	\$ 102,351.26	\$ 89,697.21
Net Difference between projected and actual earnings on pension plan investments.		\$ 3,859.24
Changes in proportion and difference between District contributions and proportionate share of contributions.		\$ 1,387.65
District contributions subsequent to the measurement date.	\$ 7,712.64	
<b>TOTAL</b>	<u>\$ 140,718.84</u>	<u>\$ 95,048.64</u>

\$7,712.64 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, 2023. 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:	
2023	9,668.94
2024	22,049.95
2025	(25,618.64)
2026	31,857.31
<b>TOTAL</b>	<u>37,957.56</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuations were 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
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	2.10%

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	2.70%

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. 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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 percent, 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)	\$334,382.03	\$(1,610.39)	\$(276,204.96)

Pension Plan Fiduciary Net Position:

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

## 12. SIGNIFICANT CONTINGENCIES - LITIGATION

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

## 13. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Unemployment Benefits:

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

14. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through December 6, 2023, the date on which the financial statements were available to be issued.

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	777,892.00	777,892.00	771,859.21	(6,032.79)
General Sales and Use Taxes	400,000.00	400,000.00	896,399.03	496,399.03
Penalties and Interest on Delinquent Taxes	200.00	200.00	527.87	327.87
Licenses and Permits	850.00	850.00	480.60	(369.40)
<b>Intergovernmental Revenue:</b>				
Federal Grants	366,600.00	366,600.00	154,297.77	(212,302.23)
State Grants	0.00	0.00	251.67	251.67
<b>State Shared Revenue:</b>				
Bank Franchise Tax	5,000.00	5,000.00	11,895.59	6,895.59
Prorate License Fees	1,750.00	1,750.00	4,693.89	2,943.89
Liquor Tax Reversion	8,000.00	8,000.00	10,980.33	2,980.33
Motor Vehicle Licenses	8,000.00	8,000.00	20,502.74	12,502.74
Local Government Highway and Bridge Fund	15,000.00	15,000.00	27,889.25	12,889.25
<b>County Shared Revenue:</b>				
County Road Tax	1,200.00	1,200.00	976.26	(223.74)
County Wheel Tax	3,750.00	3,750.00	8,234.07	4,484.07
<b>Charges for Goods and Services:</b>				
General Government	0.00	0.00	5,845.77	5,845.77
Public Safety	475.00	475.00	786.28	311.28
Highways and Streets	300.00	300.00	156.00	(144.00)
Sanitation	600.00	600.00	339.00	(261.00)
Culture and Recreation	5,500.00	5,500.00	7,826.79	2,326.79
Other	1,000.00	1,000.00	24,402.28	23,402.28
<b>Fines and Forfeits:</b>				
Court Fines and Costs	0.00	0.00	80.88	80.88
<b>Miscellaneous Revenue:</b>				
Investment Earnings	400.00	400.00	8,100.84	7,700.84
Rentals	12,244.00	12,244.00	25,567.23	13,323.23
Contributions and Donations from Private Sources	0.00	0.00	50.00	50.00
Liquor Operating Agreement Income	6,800.00	6,800.00	10,680.00	3,880.00
Other	12,000.00	12,000.00	2,447.05	(9,552.95)
<b>Total Revenue</b>	<b>1,627,561.00</b>	<b>1,627,561.00</b>	<b>1,995,270.40</b>	<b>367,709.40</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	79,209.00	79,209.00	83,062.10	(3,853.10)
Contingency	12,000.00	12,000.00		
Amount Transferred		0.00		12,000.00
Elections	950.00	950.00	1,793.72	(843.72)
Financial Administration	67,790.00	67,790.00	65,603.71	2,186.29
Other	31,337.00	31,337.00	30,760.40	576.60
<b>Total General Government</b>	<b>191,286.00</b>	<b>191,286.00</b>	<b>181,219.93</b>	<b>10,066.07</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	209,283.00	209,283.00	210,952.58	(1,669.58)
Other Protection	12,700.00	12,700.00	17,120.73	(4,420.73)
Total Public Safety	221,983.00	221,983.00	228,073.31	(6,090.31)
Public Works:				
Highways and Streets	557,329.00	557,329.00	1,027,284.59	(469,955.59)
Sanitation	7,383.00	7,383.00	7,312.44	70.56
Airport	48,161.00	48,161.00	78,241.17	(30,080.17)
Total Public Works	612,873.00	612,873.00	1,112,838.20	(499,965.20)
Culture and Recreation:				
Recreation	120,000.00	120,000.00	97,808.94	22,191.06
Parks	51,830.00	51,830.00	75,892.92	(24,062.92)
Libraries	101,151.00	101,151.00	111,259.41	(10,108.41)
Total Culture and Recreation	272,981.00	272,981.00	284,961.27	(11,980.27)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	12,155.00	12,155.00	4,112.81	8,042.19
Total Conservation and Development	12,155.00	12,155.00	4,112.81	8,042.19
Total Expenditures	1,311,278.00	1,311,278.00	1,811,205.52	(499,927.52)
Excess of Revenue Over (Under) Expenditures	316,283.00	316,283.00	184,064.88	(132,218.12)
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	25,500.00	25,500.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	50,737.28	50,737.28
Transfers Out	(250,000.00)	(250,000.00)	0.00	250,000.00
Total Other Financing Sources (Uses)	(250,000.00)	(250,000.00)	76,237.28	326,237.28
Net Change in Fund Balances	66,283.00	66,283.00	260,302.16	194,019.16
Fund Balance - Beginning	1,561,941.21	1,561,941.21	1,561,941.21	0.00
FUND BALANCE - ENDING	1,628,224.21	1,628,224.21	1,822,243.37	194,019.16

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**BED & BOOZE SALES TAX FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	20,000.00	20,000.00	41,688.69	21,688.69
Miscellaneous Revenue:				
Investment Earnings	50.00	50.00	465.36	415.36
<b>Total Revenue</b>	<b>20,050.00</b>	<b>20,050.00</b>	<b>42,154.05</b>	<b>22,104.05</b>
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	0.00	0.00	150.00	(150.00)
<b>Total Conservation and Development</b>	<b>0.00</b>	<b>0.00</b>	<b>150.00</b>	<b>(150.00)</b>
<b>Total Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>150.00</b>	<b>(150.00)</b>
<b>Net Change in Fund Balances</b>	<b>20,050.00</b>	<b>20,050.00</b>	<b>42,004.05</b>	<b>21,954.05</b>
<b>Fund Balance - Beginning</b>	<b>138,674.99</b>	<b>138,674.99</b>	<b>138,674.99</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>158,724.99</b>	<b>158,724.99</b>	<b>180,679.04</b>	<b>21,954.05</b>



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL ASSESSMENT REVOLVING FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,251.71	1,251.71
Special Assessments	15,700.00	15,700.00	110,560.05	94,860.05
<b>Total Revenue</b>	<b>15,700.00</b>	<b>15,700.00</b>	<b>111,811.76</b>	<b>96,111.76</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	0.00	0.00	175.00	(175.00)
<b>Total Public Works</b>	<b>0.00</b>	<b>0.00</b>	<b>175.00</b>	<b>(175.00)</b>
<b>Total Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>175.00</b>	<b>(175.00)</b>
<b>Net Change in Fund Balances</b>	<b>15,700.00</b>	<b>15,700.00</b>	<b>111,636.76</b>	<b>95,936.76</b>
<b>Fund Balance - Beginning</b>	<b>354,369.29</b>	<b>354,369.29</b>	<b>354,369.29</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>370,069.29</b>	<b>370,069.29</b>	<b>466,006.05</b>	<b>95,936.76</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY FINES FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Fines and Forfeits:				
Library	4,000.00	4,000.00	3,233.67	(766.33)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	8.53	8.53
Contributions and Donations from Private Sources	0.00	0.00	3,796.41	3,796.41
<b>Total Revenue</b>	<b>4,000.00</b>	<b>4,000.00</b>	<b>7,038.61</b>	<b>3,038.61</b>
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	4,000.00	4,000.00	2,727.51	1,272.49
<b>Total Culture and Recreation</b>	<b>4,000.00</b>	<b>4,000.00</b>	<b>2,727.51</b>	<b>1,272.49</b>
<b>Total Expenditures</b>	<b>4,000.00</b>	<b>4,000.00</b>	<b>2,727.51</b>	<b>1,272.49</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>0.00</b>	<b>4,311.10</b>	<b>4,311.10</b>
<b>Fund Balance - Beginning</b>	<b>12,598.63</b>	<b>12,598.63</b>	<b>12,598.63</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>12,598.63</b>	<b>12,598.63</b>	<b>16,909.73</b>	<b>4,311.10</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD STREET PARK FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations				
from Private Sources	0.00	0.00	226,320.00	226,320.00
<b>Total Revenue</b>	0.00	0.00	226,320.00	226,320.00
<b>Expenditures:</b>				
Culture and Recreation				
Parks	0.00	0.00	463.30	(463.30)
<b>Total Culture and Recreation</b>	0.00	0.00	463.30	(463.30)
<b>Total Expenditures</b>	0.00	0.00	463.30	(463.30)
<b>Net Change in Fund Balances</b>	0.00	0.00	225,856.70	225,856.70
<b>Fund Balance - Beginning</b>	3,862.10	3,862.10	3,862.10	0.00
<b>FUND BALANCE - ENDING</b>	3,862.10	3,862.10	229,718.80	225,856.70

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**TIF #1 DISTRICT FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Special Assessments	0.00	0.00	7,173.14	7,173.14
Total Revenue	0.00	0.00	7,173.14	7,173.14
<b>Expenditures:</b>				
Total Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	0.00	0.00	7,173.14	7,173.14
Fund Balance - Beginning	5,222.55	5,222.55	5,222.55	0.00
FUND BALANCE - ENDING	5,222.55	5,222.55	12,395.69	7,173.14

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**POND TURF PROJECT FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	0.00	0.00	8,913.45	8,913.45
Total Revenue	0.00	0.00	8,913.45	8,913.45
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	0.00	0.00	36,507.17	(36,507.17)
Total Culture and Recreation	0.00	0.00	36,507.17	(36,507.17)
Total Expenditures	0.00	0.00	36,507.17	(36,507.17)
Net Change in Fund Balances	0.00	0.00	(27,593.72)	(27,593.72)
Fund Balance - Beginning	27,743.72	27,743.72	27,743.72	0.00
FUND BALANCE - ENDING	27,743.72	27,743.72	150.00	(27,593.72)

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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.
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, special revenue funds, and capital projects funds.

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds 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.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Eight 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)
2022	0.0170400%	\$ (1,610)	\$ 333,788	0.48%	100.10%
2021	0.0167860%	\$ (128,552)	\$ 318,588	40.35%	105.52%
2020	0.0170482%	\$ (740)	\$ 321,595	0.23%	100.04%
2019	0.0157867%	\$ (1,673)	\$ 291,437	0.57%	100.09%
2018	0.0152460%	\$ (356)	\$ 273,434	0.13%	100.02%
2017	0.0157029%	\$ (1,425)	\$ 260,447	0.55%	100.10%
2016	0.0171954%	\$ 58,084	\$ 278,274	20.87%	96.89%
2015	0.0163041%	\$ (69,150)	\$ 260,377	26.56%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY PENSION CONTRIBUTIONS

## South Dakota Retirement System

\* Last Eight Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 19,145	\$ 19,145	\$ -	\$ 278,834	6.87%
2021	\$ 22,781	\$ 22,781	\$ -	\$ 325,043	7.01%
2020	\$ 22,272	\$ 22,272	\$ -	\$ 326,292	6.83%
2019	\$ 21,723	\$ 21,723	\$ -	\$ 317,343	6.85%
2018	\$ 19,050	\$ 19,050	\$ -	\$ 276,915	6.88%
2017	\$ 18,018	\$ 18,018	\$ -	\$ 260,947	6.90%
2016	\$ 18,532	\$ 18,532	\$ -	\$ 269,746	6.87%
2015	\$ 18,846	\$ 18,846	\$ -	\$ 274,109	6.88%

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



**Notes to Required Supplementary Information  
for the Year Ended December 31, 2022**

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

**Changes from Prior Valuation**

The June 30, 2022 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2021 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

This changes to economic assumptions including increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return of 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

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

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

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

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%

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**Notes to Required Supplementary Information  
for the Year Ended December 31, 2022**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.  
(Continued)

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.

**Actuarial Method Changes**

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