

**MUNICIPALITY OF PARKSTON  
PARKSTON, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023  
AND  
FOR THE YEAR JANUARY 1, 2024 TO DECEMBER 31, 2024**

*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, 2024

MAYOR:

Tim Semmler

GOVERNING BOARD:

Jeff Murtha, President  
Scott Kniffen, Vice-President  
Dale Hofer  
Matt Hoffman  
Sean Jolley  
Caroline Kniffen

FINANCE OFFICER:

Austin Tilton

ATTORNEY:

Braley Law Offices

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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, 2024, and December 31, 2023, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated November 13, 2025, which was adverse because we were unable to obtain sufficient appropriate audit evidence to verify the accuracy and completeness of cash and related financial statement elements.

Report On Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies, may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2024-002 and 2024-003, to be material weaknesses.

### Report on Compliance and Other Matters

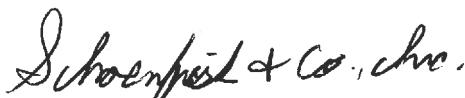
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2024-004.

### Municipality's Response to Findings

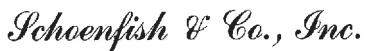
*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's responses to the findings identified in our audit. The Municipality of Parkston's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. 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  
November 13, 2025



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

Governing Board  
Municipality of Parkston  
Parkston, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited the Municipality of Parkston, South Dakota (Municipality), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2024. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Parkston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2024.

**Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above

**Responsibilities of Management for Compliance**

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

### Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

### Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

*Schoenfish & Co., Inc.*

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## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2024-001 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
November 13, 2025

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

A material weakness in internal controls was noted due to a lack of proper segregation of duties 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 2024-002.

Finding Number 2022-002:

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 comment has not been corrected and is restated as similar current audit finding number 2024-003.

Compliance – Related Finding:Finding Number 2022-003:

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 comment has not been corrected and is restated as a similar comment as current audit finding number 2024-004.

Finding Number 2022-004:

The Municipality of Parkston committed several violations of laws. This comment has been corrected.

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

- a. An adverse opinion was issued on the financial statements as a whole.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2024-002 and for errors and omissions as discussed in finding number 2024-003.
- c. Our audit did disclose noncompliance which was material to the financial statements and is discussed in finding number 2024-004.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did disclose an audit finding that needs to be disclosed in accordance with 2 CFR 200.516(a) and is discussed in finding 2024-001.
- f. The federal awards tested as major programs were:  
1. Coronavirus State and Local Fiscal Recovery Funds ALN 21.027
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The Municipality of Parkston did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Material Weakness in Internal Control over Compliance and Noncompliance Finding:Finding Number 2024-001:Condition:

The entity did not have adequate internal controls to ensure the timely and accurate reporting of SLFRF expenditures and did not fully comply with federal reporting requirements. Specifically:

- The required Annual March 31, 2023 P&E Report was not filed.
- The Annual March 31, 2024 P&E Report was submitted after the deadline established by the U.S. Department of the Treasury.
- The Annual March 2024 and March 2025 P&E Reports also inaccurately reported SLFRF expenditures, with the same funds classified under both the "Revenue Replacement" category and as being associated with specific capital or infrastructure projects, which are mutually exclusive reporting categories under SLFRF guidance.

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**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**(Continued)**

**Criteria:**

Per 2 CFR §200.328 and the SLFRF Compliance and Reporting Guidance, recipients are required to submit Project and Expenditure (P&E) reports on a quarterly or annual basis, as determined by their allocation amount. Reports must be submitted timely and include accurate financial and performance data, including the proper classification of funds under eligible use categories such as revenue replacement or specific projects.

**Cause of Condition:**

The entity lacked formalized procedures, review processes, or designated personnel to ensure that reports were prepared and submitted timely and with appropriate classifications. Additionally, there was no reconciliation process between financial accounting records and reported data prior to submission.

**Potential Effect of Condition:**

Failure to file required reports timely and accurately constitutes noncompliance with federal grant reporting requirements. These control deficiencies increase the risk of continued noncompliance, misreporting to oversight agencies, and potential federal monitoring or corrective actions.

**Recommendation:**

1. The Municipality of Parkston should implement internal controls over SLFRF reporting, including assigning responsible personnel, developing calendar reminders for reporting deadlines, and instituting a documented review process to ensure that financial data is accurately reconciled and properly classified before submission.

**CURRENT OTHER AUDIT FINDINGS:**

**Internal Control – Related Findings – Material Weaknesses:**

**Finding Number 2024-002:**

**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."

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**(Continued)**

**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:**

2. 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.

**Finding Number 2024-003:**

**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 a continuing audit comment since 2022.

**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. Grant revenue, donation revenue and loan proceeds were netted with expenditures rather than coding to the appropriate revenue and expenditure/expense accounts resulting in adjustments of \$2,477,044.62 in 2024.
- b. Revenue was recorded to the wrong revenue accounts in both 2023 and 2024 in the amounts of \$52,601.51 and \$71,014.24, respectively.
- c. In 2023, the FEMA grant of \$80,305.00 was incorrectly recorded into a capital projects fund rather than the General Fund.
- d. In 2024, SRF loan proceeds of \$35,153.00 were incorrectly recorded into the General Fund rather than the Sewer Fund.
- e. The cash in the library fund changed from 2022 to the beginning of 2023 by a material amount.
- f. Library receipts and expenditures for all bank accounts were not recorded in the books of record and in the proper fund designated for Library activity.

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**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**(Continued)**

- g. Numerous transactions were not posted on the date the transactions occurred but rather were posted to the date of input in the records.
- h. The posted cash as of the reconciliation date in the records varies from the cash amounts posted on the balance sheet at the time of audit for the respective years ended 12/31/23 & 12/31/24.
- i. The bank reconciliation contains numerous material unreconciled deposits that appear to overstate cash by as much as \$82,463.25.

The financial statements in this report have been adjusted for the errors and omissions noted in a. through f. above.

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:**

The noted weaknesses in internal control and record keeping increase the risk of material misstatements in the financial statements and diminish management's ability to monitor financial activity accurately. These conditions create the potential for:

- a. Misclassification of revenues and expenditures, resulting in inaccurate financial reporting.
- b. Incomplete or misstated fund balances and cash positions.
- c. Reduced reliability of financial information used for decision-making by management and the governing body.
- d. Increased risk of undetected errors, irregularities, or potential misappropriation of public assets.
- e. Noncompliance with state statutes requiring accurate and complete accounting records (SDCL 9-14-18 and SDCL 9-14-19).

If not corrected, these deficiencies could continue to result in significant adjustments during future audits and limit the Municipality's ability to ensure accountability and transparency in financial reporting.

**Recommendation:**

We recommend that management strengthen internal controls by:

- 3. Ensuring all transactions are properly coded, recorded in the correct funds, and posted as of the actual transaction date, with complete and timely bank reconciliations.
- 4. Providing additional training and oversight to finance staff to improve understanding of accounting requirements, grant and loan tracking, and compliance with statutory recordkeeping provisions.

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**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**(Continued)**

**Compliance – Related Finding:**

**Finding Number 2024-004:**

**Condition:**

During 2023 and 2024, several functions were overspent in the General Fund by material amounts. Additionally, the Library Fund and Pond Turf Fund expenditures exceeded the amounts budgeted in 2023 and 2024. No budget was approved for the Pond Turf Fund for either year. This is a similar 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:**

5. 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.

**CLOSING CONFERENCE**

The audit was discussed with the officials during the course of the audit with the mayor and the finance officer at the conclusion of the audit.

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## Corrective Action Plan

### Finding Number 2024-001

The entity did not have adequate internal controls to ensure the timely and accurate reporting of SLFRF expenditures and did not fully comply with federal reporting requirements. Specifically:

- The required Annual March 31, 2023 P&E Report was not filed.
- The Annual March 31, 2024 P&E Report was submitted after the deadline established by the U.S. Department of the Treasury.
- The Annual March 2024 and March 2025 P&E Reports also inaccurately reported SLFRF expenditures, with the same funds classified under both the "Revenue Replacement" category and as being associated with specific capital or infrastructure projects, which are mutually exclusive reporting categories under SLFRF guidance.

#### Planned Corrective Action:

- ✓ Implement an internal reporting calendar for all SLFRF reporting deadlines, including automated reminders for preparers and approvers.
- ✓ Establish a formal internal control process for P&E Report preparation.
- ✓ Train all relevant staff on SLFRF reporting guidance.
- ✓ Correct prior inaccurate filings by submitting amended P&E Reports for fiscal year 2024 and fiscal year 2025 to ensure proper classification of expenditures.
- ✓ Conduct quarterly internal reviews of SLFRF expenditures to ensure correct categorization and timely reporting, with findings documented.

### Finding Number 2024-002

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

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Parkston Mayor, Tim Semmler is the contact person responsible for the corrective action plan for this finding. Because of the size of the City of Parkston, The City can't support hiring additional staff that would sufficient the internal controls needed to properly segregate duties. The Mayor, City Council Members and Financial administration employees are aware of the problem. We have implemented policies for internal control, administration of grant funds, personnel and conflict of interest. The City will continue to work on additional policies and controls that will help minimize future risk. This will be an ongoing process that will include input from the State Auditor's Office, communicating with other municipalities and utilizing the Mayor and Council in some of the financial controls.

#### Finding Number 2024-003

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. Grant revenue, donation revenue and loan proceeds were netted with expenditures rather than coding to the appropriate revenue and expenditure/expense accounts resulting in adjustments of \$2,477,044.62 in 2024.
- b. Revenue was recorded to the wrong revenue accounts in both 2023 and 2024 in the amounts of \$52,601.51 and \$71,014.24, respectively.
- c. In 2023, the FEMA grant of \$80,305.00 was incorrectly recorded into a capital projects fund rather than the General Fund.
- d. In 2024, SRF loan proceeds of \$35,153.00 were incorrectly recorded into the General Fund rather than the Sewer Fund.
- e. The cash in the library fund changed from 2022 to the beginning of 2023 by a material amount.
- f. Library receipts and expenditures for all bank accounts were not recorded in the books of record and in the proper fund designated for Library activity.
- g. Numerous transactions were not posted on the date the transactions occurred but rather were posted to the date of input in the records.
- h. The posted cash as of the reconciliation date in the records varies from the cash amounts posted on the balance sheet at the time of audit for the respective years ended 12/31/23 & 12/31/24.
- i. The bank reconciliation contains numerous material unreconciled deposits that appear to overstate cash by as much as \$82,463.25.

**Planned Corrective Action:**

- ✓ Review and adjust all improperly recorded 2024 transactions, implement a standardized chart of accounts with clear guidelines for revenue and expenditure coding, provide staff training on revenue/expenditure coding.
- ✓ Reclassify revenues to correct accounts, develop revenue coding matrix for staff reference, conduct training on proper revenue account usage.
- ✓ Correct records, update fund allocation procedures
- ✓ Correct records, communicate proper fund assignments
- ✓ Reconcile library cash balances, implement regular cash verification
- ✓ Record all library activity, assign daily recording responsibilities
- ✓ Update procedures to record by transaction date
- ✓ Reconcile cash and implement monthly reconciliation procedures
- ✓ Investigate and correct deposits, implement stricter reconciliation review

**Finding Number 2024-004**

During 2023 and 2024, several functions were overspent in the General Fund by material amounts. Additionally, the Library Fund and Pond Turf Fund expenditures exceeded the amounts budgeted in 2023 and 2024. No budget was approved for the Pond Turf Fund for either year.

**Planned Corrective Action:**

- ✓ Budget compliance monitoring: The Finance office will monitor departmental expenditures monthly against the adopted appropriation ordinance to identify potential overages in advance.
- ✓ Implement monthly budget-to-actual monitoring for all General Fund functions, set expenditure thresholds requiring approval before overspending occurs, train department heads on budget compliance.
- ✓ Implement mid-year budget review and reallocation process and enforce pre-approval for expenditures exceeding 90% of budget.
- ✓ Establish expenditure authorization limits and reporting procedures and conduct quarterly fund review to monitor adherence to the budget.



Tim Semmler

Tim Semmler, Mayor

11-12-25

Date



Austin Tilton

Austin Tilton, Finance Officer

11-12-25

Date

CERTIFIED PUBLIC ACCOUNTANTS  
Phone: 605-928-7241  
FAX No.: 605-928-6241  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Parkston  
Parkston, South Dakota

Report on the Financial Statements

Adverse Opinion

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Parkston, South Dakota, (Municipality) as of December 31, 2023 and December 31, 2024, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the accompanying modified cash basis of accounting financial statements referred to above do not present fairly, the respective financial position of the Municipality of Parkston as of December 31, 2023 and December 31, 2024, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Adverse Opinion on the Financial Statements as a Whole

Our audit disclosed that the amounts of cash presented on the balance sheet do not agree with the cash balances recorded in the general ledger as of the reconciliation dates for the years ended December 31, 2023 and December 31, 2024. In addition, the bank reconciliations included numerous material unreconciled deposits, which appear to overstate reported cash by approximately \$82,463.25. Because of these discrepancies, we were unable to obtain sufficient appropriate audit evidence to verify the accuracy and completeness of cash and related financial statement elements. Accordingly, we conclude that the financial statements are materially misstated.

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

Emphasis of Matter

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-term Liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-term Liabilities is fairly stated, in all material respects, in relation to the basic financial statements as a whole. Because of the significance of the matter described in the Basis for Adverse Opinion paragraph, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

### Other Information

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

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.

*Schoenfish & Co., Inc.*

Schoenfish & Co., Inc.  
Certified Public Accountants  
November 13, 2025

*Schoenfish & Co., Inc.*

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2024**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,623,312.21	3,045,717.76	4,669,029.97
Investments	<u>400,000.00</u>		<u>400,000.00</u>
<b>TOTAL ASSETS</b>	<b>2,023,312.21</b>	<b>3,045,717.76</b>	<b>5,069,029.97</b>
<b>NET POSITION:</b>			
Restricted:			
Street Projects	58,404.10		58,404.10
Parks and Promotions	<u>288,187.30</u>		<u>288,187.30</u>
Equipment Repair and/or Replacement	<u>875,520.83</u>		<u>875,520.83</u>
Unrestricted	<u>1,676,720.81</u>	<u>2,170,196.93</u>	<u>3,846,917.74</u>
<b>TOTAL NET POSITION</b>	<b>2,023,312.21</b>	<b>3,045,717.76</b>	<b>5,069,029.97</b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2024

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities:						
General Government	333,383.58	7,783.06				(325,600.52)
Public Safety	308,487.28	319.00		20,064.66		(288,103.62)
Public Works	2,923,778.68	27,793.00	87,521.70	236,842.83		(2,571,621.15)
Health and Welfare			1,000.00		1,000.00	
Culture and Recreation	395,256.30	32,040.01	7,426.13	95,250.00		(260,540.16)
Conservation and Development	95,176.78				(95,176.78)	(95,176.78)
<b>Total Governmental Activities</b>	<b>4,056,082.62</b>	<b>67,935.07</b>	<b>95,947.83</b>	<b>352,157.49</b>	<b>(3,540,042.23)</b>	<b>(3,540,042.23)</b>
Business-type Activities:						
Water	333,052.14	337,519.15				4,467.01
Sewer	2,651,648.09	580,275.08		1,089,740.00		(981,633.01)
<b>Total Business-Type Activities</b>	<b>2,984,700.23</b>	<b>917,794.23</b>	<b>0.00</b>	<b>1,089,740.00</b>	<b>(977,166.00)</b>	<b>(977,166.00)</b>
<b>Total Primary Government</b>	<b>7,040,782.85</b>	<b>985,729.30</b>	<b>95,947.83</b>	<b>1,441,897.49</b>	<b>(3,540,042.23)</b>	<b>(4,517,208.23)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes			841,523.25			841,523.25
Sales Taxes			955,728.25			955,728.25
State Shared Revenues			23,083.08			23,083.08
Unrestricted Investment Earnings			148,910.70	23,143.90		172,054.60
Debt Issued				1,483,977.00		1,483,977.00
Miscellaneous Revenue			12,147.76			12,147.76
<b>Total General Revenues and Transfers</b>	<b>1,981,393.04</b>	<b>1,507,120.90</b>	<b>3,488,513.94</b>	<b></b>	<b></b>	<b></b>
Change in Net Position			(1,558,649.19)	529,954.90		(1,028,694.29)
Net Position - Beginning			3,581,961.40	2,515,762.86		6,097,724.26
<b>NET POSITION - ENDING</b>	<b>2,023,312.21</b>	<b>3,045,717.76</b>	<b>5,069,029.97</b>	<b></b>	<b></b>	<b></b>

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

**MUNICIPALITY OF PARKSTON**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
December 31, 2024

	ASSETS:			Special			3rd Street			TIF #1			<b>Total</b>
	General Fund	Bed & Booze Sales tax Fund	Assessment Revolving Fund	Library Fines Fund	Park Fund	TIF #1 Fund	3rd Street Fund	Park Fund	TIF #1 Fund	3rd Street Fund	Park Fund	TIF #1 Fund	
<b>ASSETS:</b>													
Cash and Cash Equivalents	628,908.74	214,098.67	619,677.49	28,134.58	74,088.63	58,404.10	1,623,312.21						
Investments	400,000.00						400,000.00						
<b>TOTAL ASSETS</b>	<b>1,028,908.74</b>	<b>214,098.67</b>	<b>619,677.49</b>	<b>28,134.58</b>	<b>74,088.63</b>	<b>58,404.10</b>	<b>2,023,312.21</b>						
<b>FUND BALANCES:</b>													
Restricted for Street Projects													
Restricted for Parks and Promotion		214,098.67					74,088.63						
Committed for Rubble Site Expansion	48,945.00												
Assigned for Next Year's Budget	979,963.74												
Assigned for Special Assessments				619,677.49									
Assigned for Library Fines					28,134.58								
Unassigned	0.00												
<b>TOTAL FUND BALANCES</b>	<b>1,028,908.74</b>	<b>214,098.67</b>	<b>619,677.49</b>	<b>28,134.58</b>	<b>74,088.63</b>	<b>58,404.10</b>	<b>2,023,312.21</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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2024**

	General Fund	Bed & Booze Sales tax Fund	Special Revolving Fund	Assessment Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total
<b>Revenues:</b>									
Taxes:									
General Property Taxes	840,116.67								840,116.67
General Sales and Use Taxes	911,272.46		44,455.79						955,728.25
Penalties & Interest on Delinquent Taxes	1,406.58								1,406.58
Total Taxes	1,752,795.71		44,455.79	0.00	0.00	0.00	0.00	0.00	1,797,251.50
Licenses and Permits			0.00	0.00	0.00	0.00	0.00	0.00	7,783.06
Intergovernmental Revenue:									
Federal Grants	188,590.66								188,590.66
State Grants	11,812.04								11,812.04
State Shared Revenue:									
Bank Franchise Tax	12,366.03								12,366.03
Liquor Tax Reversion	10,717.05								10,717.05
Motor Vehicle Licenses	21,062.97								21,062.97
Local Government Highway and Bridge Fund	28,780.52								28,780.52
Other	4,799.95								4,799.95
County Shared Revenue:									
County Road Tax	976.26								976.26
County Highway and Bridge Fund	23,483.67								23,453.67
County Wheel Tax	8,448.33								8,448.33
Total Intergovernmental Revenue	311,007.48		0.00	0.00	0.00	0.00	0.00	0.00	311,007.48
Charges for Goods and Services:									
Public Safety	319.00								319.00
Highways & Streets	3,000.00								3,000.00
Sanitation	1,935.00								1,935.00
Culture and Recreation	10,703.61								10,703.61
Airport	8,349.08								8,349.08
Total Charges for Goods and Services	24,306.69		0.00	0.00	0.00	0.00	0.00	0.00	24,306.69
Fines and Forfeits:									
Library	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fines and Forfeits									12,862.32
Miscellaneous Revenue:									
Investment Earnings	139,516.86		1,703.49	7,635.50	54.85				148,910.70
Rentals	22,983.00			26,559.81					22,983.00
Special Assessments	95,250.00				3,676.13				61,254.79
Contributions and Donations from Private Sources	11,672.91								98,926.13
Other	269,423.77		1,703.49	34,195.31	3,730.98	0.00	34,694.98	0.00	11,673.91
Total Miscellaneous Revenue									343,748.53
Total Revenue	2,365,316.71		46,159.28	34,195.31	16,593.30	0.00	34,694.98	0.00	2,496,959.58

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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2024**

	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
<b>Expenditures:</b>								
General Government:								
Legislative	72,345.32							72,345.32
Financial Administration	158,374.32							158,374.32
Other	102,663.94							102,663.94
Total General Government	333,383.58	0.00	0.00	0.00	0.00	0.00	0.00	333,383.58
Public Safety:								
Police	304,981.08							304,981.08
Other Protection	3,506.20							3,506.20
Total Public Safety	308,487.28	0.00	0.00	0.00	0.00	0.00	0.00	308,487.28
Public Works:								
Highways and Streets	2,777,956.57							2,777,956.57
Sanitation	11,022.44							11,022.44
Cemeteries	134,799.67							134,799.67
Total Public Works	2,923,778.68	0.00	0.00	0.00	0.00	0.00	0.00	2,923,778.68
Culture and Recreation:								
Recreation	50,558.18							50,558.18
Parks	111,212.96							111,212.96
Libraries	118,494.43							118,494.43
Total Culture and Recreation	280,265.57	0.00	0.00	0.00	0.00	0.00	0.00	280,265.57
Conservation and Development:								
Economic Development and Assistance	75,176.78	20,000.00						95,176.78
Total Conservation and Development	75,176.78	20,000.00	0.00	0.00	0.00	0.00	0.00	95,176.78
Total Expenditures	3,921,091.89	20,000.00	0.00	11,999.99	102,840.74	0.00	150.00	4,056,082.62
Excess Revenues Over (Under) Expenditures	(1,555,775.18)	26,159.28	34,195.31	4,593.31	(102,840.74)	34,694.98	(150.00)	(1,559,123.04)

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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2024

	General Fund	Bed & Booze Sales tax Fund	Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total
<b>Other Financing Sources (Uses):</b>								
Sale of Municipal Property	473.85	0.00	0.00	0.00	0.00	0.00	0.00	473.85
Total Other Financing Sources (Uses)	(1,555,301.33)	26,159.28	34,195.31	4,593.31	(102,840.74)	34,694.98	(150.00)	(1,558,649.19)
Net Change in Fund Balance	2,584,210.07	187,939.39	585,482.18	23,541.27	176,929.37	23,709.12	150.00	3,581,961.40
Fund Balance - Beginning	1,028,908.74	214,098.67	619,677.49	28,134.58	74,088.63	58,404.10	0.00	2,023,312.21
<b>FUND BALANCE - ENDING</b>								

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2024**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	1,260,544.03	1,785,173.73	3,045,717.76
Total Current Assets	<u>1,260,544.03</u>	<u>1,785,173.73</u>	<u>3,045,717.76</u>
<b>TOTAL ASSETS</b>	<b>1,260,544.03</b>	<b>1,785,173.73</b>	<b>3,045,717.76</b>
<b>NET POSITION:</b>			
Restricted for:			
Equipment Repair and/or Replacement	272,466.52	603,054.31	875,520.83
Unrestricted Net Position	<u>988,077.51</u>	<u>1,182,119.42</u>	<u>2,170,196.93</u>
<b>TOTAL NET POSITION</b>	<b><u>1,260,544.03</u></b>	<b><u>1,785,173.73</u></b>	<b><u>3,045,717.76</u></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 - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2024**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	337,519.15	357,777.56	695,296.71
Revenued Dedicated to Servicing Debt	222,497.52	222,497.52	
Total Operating Revenue	<b>337,519.15</b>	<b>580,275.08</b>	<b>917,794.23</b>
<b>Operating Expenses:</b>			
Personal Services	16.70	8,962.80	8,979.50
Other Current Expense	63,992.37	17,034.43	81,026.80
Materials	179,285.20	179,285.20	
Total Operating Expenses	<b>243,294.27</b>	<b>25,997.23</b>	<b>269,291.50</b>
Operating Income (Loss)	<b>94,224.88</b>	<b>554,277.85</b>	<b>648,502.73</b>
<b>Non-operating Revenue (Expenses):</b>			
Loan Proceeds	1,483,977.00	1,483,977.00	
Investment Earnings	13,490.80	9,653.10	23,143.90
Debt Service (Principal)	(92,158.23)	(92,158.23)	
Debt Service (Interest)	(15,829.93)	(15,829.93)	
Capital Assets Purchased	(89,757.87)	(2,517,662.70)	(2,607,420.57)
Total Non-operating Revenue (Expenses)	<b>(76,267.07)</b>	<b>(1,132,020.76)</b>	<b>(1,208,287.83)</b>
Income (Loss) Before Capital Contributions	<b>17,957.81</b>	<b>(577,742.91)</b>	<b>(559,785.10)</b>
Capital Contributions	1,089,740.00	1,089,740.00	
Change in Net Position	<b>17,957.81</b>	<b>511,997.09</b>	<b>529,954.90</b>
Net Position - Beginning	<b>1,242,586.22</b>	<b>1,273,176.64</b>	<b>2,515,762.86</b>
<b>NET POSITION - ENDING</b>	<b><u>1,260,544.03</u></b>	<b><u>1,785,173.73</u></b>	<b><u>3,045,717.76</u></b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	3,181,961.40	2,515,762.86	5,697,724.26
Investments	400,000.00		400,000.00
<b>TOTAL ASSETS</b>	<b>3,581,961.40</b>	<b>2,515,762.86</b>	<b>6,097,724.26</b>
<b>NET POSITION:</b>			
Restricted:			
Street Projects	23,709.12		23,709.12
Parks and Promotions	365,018.76		365,018.76
Equipment Repair and/or Replacement		875,520.83	875,520.83
Unrestricted	3,193,233.52	1,640,242.03	4,833,475.55
<b>TOTAL NET POSITION</b>	<b>3,581,961.40</b>	<b>2,515,762.86</b>	<b>6,097,724.26</b>

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services		Governmental Activities	Business-Type Activities	Primary Government
		Operating Grants and Contributions	Capital Grants and Contributions			
<b>Primary Government:</b>						
Governmental Activities:						
General Government	269,029.95	16,220.82				(252,809.13)
Public Safety	253,800.50	698.00				(253,102.50)
Public Works	754,048.06	28,644.61	87,630.93	410,438.85		(227,333.67)
Health and Welfare				440.00		440.00
Culture and Recreation	342,474.22	14,932.44	14,776.22	11,900.00		(300,865.56)
Conservation and Development	45,813.16					(45,813.16)
<b>Total Governmental Activities</b>	<b>1,665,165.89</b>	<b>60,495.87</b>	<b>102,847.15</b>	<b>422,338.85</b>	<b>(1,079,484.02)</b>	<b>(1,079,484.02)</b>
Business-type Activities:						
Water	356,267.61	357,892.82				1,625.21
Sewer	268,629.16	457,646.57				189,017.41
<b>Total Business-Type Activities</b>	<b>624,896.77</b>	<b>815,539.39</b>	<b>0.00</b>	<b>0.00</b>	<b>190,642.62</b>	<b>190,642.62</b>
<b>Total Primary Government</b>	<b>2,290,062.66</b>	<b>876,035.26</b>	<b>102,847.15</b>	<b>422,338.85</b>	<b>(1,079,484.02)</b>	<b>(88,841.40)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes				808,366.99		808,366.99
Sales Taxes				1,035,475.22		1,035,475.22
State Shared Revenues				22,672.92		22,672.92
Unrestricted Investment Earnings				66,282.23		66,531.82
Miscellaneous Revenue				20,299.96		20,299.96
<b>Total General Revenues and Transfers</b>	<b>1,953,097.32</b>	<b>20,249.59</b>	<b>1,973,346.91</b>	<b>1,973,346.91</b>	<b>1,973,346.91</b>	<b>1,973,346.91</b>
Change in Net Position				873,613.30		873,613.30
Net Position - Beginning				11,645,916.14		11,645,916.14
Restatements:				4,341,608.08		4,341,608.08
Change in Basis of Accounting (See Note 7)				(8,937,568.04)		(8,937,568.04)
Restated Net Position - Beginning				2,708,348.10		2,708,348.10
<b>NET POSITION - ENDING</b>	<b>3,581,961.40</b>	<b>2,515,762.86</b>	<b>3,581,961.40</b>	<b>2,515,762.86</b>	<b>3,581,961.40</b>	<b>3,581,961.40</b>

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

**MUNICIPALITY OF PARKSTON**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
December 31, 2023

	General Fund	Bed & Booze Sales tax Fund	Assessment Revolving Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total
<b>ASSETS:</b>								
Cash and Cash Equivalents	2,184,210.07	187,939.39	585,482.18	23,541.27	176,929.37	23,709.12	150.00	3,181,961.40
Investments	400,000.00							400,000.00
<b>TOTAL ASSETS</b>	<b>2,584,210.07</b>	<b>187,939.39</b>	<b>585,482.18</b>	<b>23,541.27</b>	<b>176,929.37</b>	<b>23,709.12</b>	<b>150.00</b>	<b>3,581,961.40</b>
<b>FUND BALANCES:</b>								
Restricted for Street Projects						23,709.12		23,709.12
Restricted for Parks and Promotion							150.00	150.00
Committed for Rubble Site Expansion								365,018.76
Assigned for Next Year's Budget								48,945.00
Assigned for Special Assessments								1,513,769.00
Assigned for Library Fines								585,482.18
Unassigned								23,541.27
<b>TOTAL FUND BALANCES</b>	<b>2,584,210.07</b>	<b>187,939.39</b>	<b>585,482.18</b>	<b>23,541.27</b>	<b>176,929.37</b>	<b>23,709.12</b>	<b>150.00</b>	<b>3,581,961.40</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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2023

	General Fund	Bed & Booze Sales tax Fund	Special Revolving Fund	Assessment Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total
<b>Revenues:</b>									
<b>Taxes:</b>									
General Property Taxes	807,580.35								807,580.35
General Sales and Use Taxes	989,733.58		45,741.64						1,035,475.22
Penalties & Interest on Delinquent Taxes	786.64								786.64
Total Taxes	1,798,100.57		45,741.64	0.00	0.00	0.00	0.00	0.00	1,843,842.21
<b>Licenses and Permits</b>			8,606.82	0.00	0.00	0.00	0.00	0.00	8,606.82
<b>Intergovernmental Revenue:</b>									
Federal Grants	273,917.82								273,917.82
State Grants	11,196.13								11,196.13
State Shared Revenue:									
Bank Franchise Tax	14,679.54								14,679.54
Liquor Tax Reversion	7,993.38								7,993.38
Motor Vehicle Licenses	23,556.54								23,556.54
Local Government Highway and Bridge Fund	22,961.14								22,961.14
Other	4,849.31								4,849.31
County Shared Revenue:									
County Road Tax	976.26								976.26
County Highway and Bridge Fund	26,135.29								26,135.29
County Wheel Tax	9,152.39								9,152.39
Total Intergovernmental Revenue	395,417.80		0.00	0.00	0.00	0.00	0.00	0.00	395,417.80
<b>Charges for Goods and Services:</b>									
General Government	475.00								475.00
Public Safety	698.00								698.00
Highways & Streets	1,700.00								1,700.00
Sanitation	317.97								317.97
Culture and Recreation	8,272.50								8,272.50
Airport	4,558.64								4,558.64
Total Charges for Goods and Services	16,022.11		0.00	0.00	0.00	0.00	0.00	0.00	16,022.11
<b>Fines and Forfeits:</b>									
Library	3,804.94		0.00	0.00	2,855.00	2,855.00	0.00	0.00	6,659.94
Total Fines and Forfeits	3,804.94		0.00	0.00	2,855.00	2,855.00	0.00	0.00	6,659.94
<b>Miscellaneous Revenue:</b>									
Investment Earnings	59,703.44		1,518.71	5,024.66	35.42				66,282.23
Rentals	29,207.00			114,451.47					29,207.00
Special Assessments									125,764.90
Contributions and Donations from Private Sources	11,320.59				14,776.22	10,400.00			26,676.22
Other	100,231.03		1,518.71	119,476.13	14,811.64	10,400.00	11,313.43	1,500.00	11,320.59
Total Miscellaneous Revenue	2,322,183.27		47,260.35	119,476.13	17,666.64	10,400.00	11,313.43	1,500.00	255,250.94
<b>Total Revenue</b>									2,525,799.82

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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2023**

	General Fund	Bed & Booze Sales tax Fund	Special Revolving Fund	Assessment Fund	Library Fines Fund	3rd Street Park Fund	TIF #1 Fund	Pond Turf Fund	Total
<b>Expenditures:</b>									
General Government:									
Legislative	88,234.73								88,234.73
Executive	1,267.32								1,267.32
Financial Administration	129,111.32								129,111.32
Other	50,416.58								50,416.58
Total General Government	269,029.95		0.00	0.00	0.00	0.00	0.00	0.00	269,029.95
Public Safety:									
Police	251,884.51								251,884.51
Other Protection	1,915.99								1,915.99
Total Public Safety	263,800.50		0.00	0.00	0.00	0.00	0.00	0.00	263,800.50
Public Works:									
Highways and Streets	607,879.65								607,879.65
Sanitation	5,548.74								5,548.74
Cemeteries	140,619.67								140,619.67
Total Public Works	754,048.06		0.00	0.00	0.00	0.00	0.00	0.00	754,048.06
Culture and Recreation:									
Recreation	78,552.53								78,552.53
Parks	83,135.03								83,135.03
Libraries	105,062.13								105,062.13
Total Culture and Recreation	266,749.69		0.00	0.00	11,035.10	11,035.10	63,189.43	63,189.43	342,474.22
Conservation and Development:									
Economic Development and Assistance	5,813.16								5,813.16
Total Conservation and Development	5,813.16		40,000.00	40,000.00	0.00	0.00	0.00	0.00	45,813.16
Total Expenditures	1,549,441.36		40,000.00	40,000.00	0.00	11,035.10	63,189.43	0.00	1,665,165.89
Excess Revenues Over (Under) Expenditures	772,741.91		7,260.35	119,476.13	6,631.54	(52,789.43)	11,313.43	0.00	864,633.93

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 - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2023**

	<b>General Fund</b>	<b>Bed &amp; Booze Sales tax Fund</b>	<b>Assessment Revolving Fund</b>	<b>Library Fines Fund</b>	<b>3rd Street Park Fund</b>	<b>TIF #1 Fund</b>	<b>Pond Turf Fund</b>	<b>Total</b>
<b>Other Financing Sources (Uses):</b>								
Sale of Municipal Property	8,979.37		0.00	0.00	0.00	0.00	0.00	8,979.37
Total Other Financing Sources (Uses)	8,979.37		0.00	0.00	0.00	0.00	0.00	8,979.37
<b>Net Change in Fund Balance</b>	781,721.28	7,280.35	119,476.13	6,631.54	(52,789.43)	11,313.43	0.00	873,613.30
<b>Fund Balance - Beginning</b>	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>Restatements:</b>								
Change in Basis of Accounting (See Note 7).	(19,754.58)							(19,754.58)
Restated Fund Balance - Beginning	1,802,488.79	180,679.04	466,006.05	16,909.73	229,718.80	12,395.69	150.00	2,708,348.10
<b>FUND BALANCE - ENDING</b>	2,584,210.07	187,939.39	585,482.18	23,541.27	176,929.37	23,709.12	150.00	3,584,961.40

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

**MUNICIPALITY OF PARKSTON**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2023**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	1,242,586.22	1,273,176.64	2,515,762.86
Total Current Assets	<u>1,242,586.22</u>	<u>1,273,176.64</u>	<u>2,515,762.86</u>
<b>TOTAL ASSETS</b>	<b>1,242,586.22</b>	<b>1,273,176.64</b>	<b>2,515,762.86</b>
 <b>NET POSITION:</b>			
Restricted for:			
Equipment Repair and/or Replacement	272,466.52	603,054.31	875,520.83
Unrestricted Net Position	<u>970,119.70</u>	<u>670,122.33</u>	<u>1,640,242.03</u>
<b>TOTAL NET POSITION</b>	<b><u>1,242,586.22</u></b>	<b><u>1,273,176.64</u></b>	<b><u>2,515,762.86</u></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 - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2023**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	357,892.82	456,611.48	814,504.30
Revenued Dedicated to Servicing Debt		1,035.09	1,035.09
Total Operating Revenue	357,892.82	457,646.57	815,539.39
<b>Operating Expenses:</b>			
Personal Services	382.05	7,770.49	8,152.54
Other Current Expense	175,878.06	152,867.51	328,745.57
Materials	180,007.50		180,007.50
Total Operating Expenses	356,267.61	160,638.00	516,905.61
Operating Income (Loss)	1,625.21	297,008.57	298,633.78
<b>Non-operating Revenue (Expenses):</b>			
Investment Earnings	11,643.51	8,606.08	20,249.59
Debt Service (Principal)		(89,372.14)	(89,372.14)
Debt Service (Interest)		(18,619.02)	(18,619.02)
Total Non-operating Revenue (Expenses)	11,643.51	(99,385.08)	(87,741.57)
Change in Net Position	13,268.72	197,623.49	210,892.21
Net Position - Beginning	1,787,887.46	2,553,720.62	4,341,608.08
<b>Restatements:</b>			
Change in Basis of Accounting (See Note 7).	(558,569.96)	(1,478,167.47)	(2,036,737.43)
Restated Net Position - Beginning	1,229,317.50	1,075,553.15	2,304,870.65
<b>NET POSITION - ENDING</b>	<b>1,242,586.22</b>	<b>1,273,176.64</b>	<b>2,515,762.86</b>

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

## NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Financial Reporting 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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

**Governmental Funds:**

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

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 Fund – 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. This fund was closed in 2024.

**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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

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

d. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.
- b. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

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

f. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, 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.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash

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**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the Municipality and the related depreciation/amortization are not reported on the financial statements of the Municipality.

g. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term liabilities issuances is recorded as a receipt, while payments to creditors to reduce long-term liabilities are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term liabilities arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term liabilities of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

h. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, in the year the cash is received.

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Equity Classifications:

Government-wide Financial Statements:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

1. restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

Fund Financial Statements:

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

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

Fund Balance Type	12/31/23 Amount	12/31/24 Amount	Action
Rubble Sight Expansion	\$ 48,945.00	\$ 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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	Special Assessments
Pond Turf Fund	Donations

**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 12/31/2023</u>	<u>Year Ended 12/31/2024</u>
<b>General Fund:</b>		
<u>Activity</u>		
Financial Administration	\$ 4,405.32	\$ 1,526.94
Other - General Government	6,647.58	
Police	3,722.51	6,194.08
Recreation	302.53	
Libraries		2,322.43
Economic Development and Assistance		64,043.78
<b>Library Fines Fund:</b>		
<u>Activity</u>		
Library	\$ 7,035.10	\$ 812.99
<b>Pond Turf Fund:</b>		
<u>Activity</u>		
Parks	\$ 1,500.00	\$ 150.00

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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, 2023, and December 31, 2024, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

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

#### **4. PROPERTY TAXES**

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

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

#### **5. 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.

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

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

**6. RESTRICTED NET POSITION**

Restricted net position for the year ended December 31, 2023, and December 31, 2024 were as follows:

<u>Major Purpose</u>	<u>Restricted By</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
Parks & Promotion	Law Governmental	\$ 365,018.76	\$ 288,187.30
Equipment Repair & Replacement	Accounting Standards Governmental	875,520.83	875,520.83
Street Project Purposes	Accounting Standards	23,709.12	58,404.10
Total Restricted Net Position		<u>\$ 1,264,248.71</u>	<u>\$ 1,222,112.23</u>

**7. RESTATEMENT OF PRIOR PERIOD**

The Municipality switched to the modified cash basis of accounting. As a result, beginning net position/fund balance has been restated as of January 1, 2023

	Governmental Activities	Business-Type Activities
Net Position January 1, 2023, as previously reported	\$ 11,645,916.14	\$ 4,341,608.08
Restatement:		
Adjust to Modified Cash Basis of Accounting	(8,937,568.04)	(2,036,737.43)
Net Position January 1, 2023, as Restated	<u>\$ 2,708,348.10</u>	<u>\$ 2,304,870.65</u>
	<hr/>	<hr/>
	General Fund	
Fund Balance January 1, 2023, as previously reported	\$ 1,822,243.37	
Restatement:		
Adjust to Modified Cash Basis of Accounting	(19,754.58)	
Fund Balance January 1, 2023, as Restated	<u>\$ 1,802,488.79</u>	<hr/>
	<hr/>	<hr/>
	Water Fund	Sewer Fund
Net Position January 1, 2023, as previously reported	\$ 1,787,887.46	\$ 2,553,720.62
Restatement:		
Adjust to Modified Cash Basis of Accounting	(558,569.96)	(1478167.47)
Net Position January 1, 2023, as Restated	<u>\$ 1,229,317.50</u>	<u>\$ 1,075,553.15</u>

**8. PENSION PLAN**

**Plan Information:**

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

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

**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 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

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

of contributions to the SDRS for the fiscal years ended December 31, 2024, 2023, and 2022, were \$28,613.50, \$23,992.39, and \$19,144.71, respectively, equal to the required contributions each year.

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

At June 30, 2024, SDRS is 100.0% 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, 2024 and reported by the Municipality as of December 31, 2024 are as follows:

Proportionate share of pension liability	\$ 2,398,408.91
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,399,059.70</u>
Proportionate share of net pension liability (asset)	<u>\$ (650.79)</u>

The net pension liability (asset) was measured as of June 30, 2024 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, 2024, the Municipality's proportion was 0.016077%, which is an increase (decrease) of 0.003850% from its proportion measured as of June 30, 2023.

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

Proportionate share of pension liability	\$ 1,771,776.99
Less proportionate share of net position restricted for pension benefits	<u>\$ 1,772,970.40</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,193.41)</u>

The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.01222700%, which is an increase(decrease) of (0.0048130%) from its proportion measured as of June 30, 2022.

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2024, and June 30, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Future COLAs 1.71% for 2024  
 1.91% for 2023

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, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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

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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
<b>Total</b>	<b>100%</b>	

**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**(Continued)**

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**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 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:**

As of June 30, 2024, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$330,697.76	\$(650.79)	\$(271,797.12)

As of June 30, 2023, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$244,607.12	\$(1,193.41)	\$(202,211.36)

**Pension Plan Fiduciary Net Position:**

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

**9. SIGNIFICANT CONTINGENCIES - LITIGATION**

At December 31, 2024, the Municipality was not involved in any significant litigation.

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**10. 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 biennial period ended December 31, 2024, 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.

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.

**11. SUBSEQUENT EVENTS**

Management has evaluated whether any subsequent events have occurred through November 13, 2025, the date on which the financial statements were available to be issued.

In 2023, the Municipality of Parkston passed a resolution to issue a Clean Water SRF Loan in the amount of \$3,045,960.00. At December 31, 2024, the draw downs on the bond totaled \$1,483,977.00.

In 2024, the Municipality of Parkston passed a resolution to issue a Clean Water SRF Loan in the amount of \$1,500,000.00. At December 31, 2024, there had been no draw downs on the bond.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b> (Budgetary Basis)	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	867,068.00	867,068.00	840,116.67	(26,951.33)
General Sales and Use Taxes	900,000.00	900,000.00	911,272.46	11,272.46
Penalties and Interest on Delinquent Taxes	200.00	200.00	1,406.58	1,206.58
Licenses and Permits	800.00	800.00	7,783.06	6,983.06
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	188,590.66	188,590.66
State Grants	601,000.00	601,000.00	11,812.04	(589,187.96)
State Shared Revenue:				
Bank Franchise Tax	25,000.00	25,000.00	12,366.03	(12,633.97)
Prorate License Fees	4,000.00	4,000.00	0.00	(4,000.00)
Liquor Tax Reversion	8,000.00	8,000.00	10,717.05	2,717.05
Motor Vehicle Licenses	15,000.00	15,000.00	21,062.97	6,062.97
Local Government Highway and Bridge Fund	18,000.00	18,000.00	28,780.52	10,780.52
Other	0.00	0.00	4,799.95	4,799.95
County Shared Revenue:				
County Road Tax	11,000.00	11,000.00	976.26	(10,023.74)
County Highway and Bridge Fund	0.00	0.00	23,453.67	23,453.67
County Wheel Tax	7,000.00	7,000.00	8,448.33	1,448.33
Charges for Goods and Services:				
Public Safety	450.00	450.00	319.00	(131.00)
Highways and Streets	0.00	0.00	3,000.00	3,000.00
Sanitation	0.00	0.00	1,935.00	1,935.00
Culture and Recreation	7,000.00	7,000.00	10,703.61	3,703.61
Airport	0.00	0.00	8,349.08	8,349.08
Miscellaneous Revenue:				
Investment Earnings	3,000.00	3,000.00	139,516.86	136,516.86
Rentals	21,125.00	21,125.00	22,983.00	1,858.00
Contributions and Donations from Private Sources	0.00	0.00	95,250.00	95,250.00
Liquor Operating Agreement Income	5,250.00	5,250.00	0.00	(5,250.00)
Other	2,000.00	2,000.00	11,673.91	9,673.91
Total Revenue	2,495,893.00	2,495,893.00	2,365,316.71	(130,576.29)
<b>Expenditures:</b>				
General Government:				
Legislative	90,388.00	90,388.00	72,345.32	18,042.68
Contingency	12,000.00	12,000.00		
Amount Transferred		0.00		12,000.00
Elections	2,300.00	2,300.00	0.00	2,300.00
Financial Administration	145,785.00	156,847.38	158,374.32	(1,526.94)
Other	37,114.00	106,743.94	102,663.94	4,080.00
Total General Government	287,587.00	368,279.32	333,383.58	34,895.74

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	298,787.00	298,787.00	304,981.08	(6,194.08)
Other Protection	12,300.00	12,300.00	3,506.20	8,793.80
Total Public Safety	311,087.00	311,087.00	308,487.28	2,599.72
Public Works:				
Highways and Streets	2,910,562.00	2,910,562.00	2,777,956.57	132,605.43
Sanitation	10,281.00	11,022.44	11,022.44	0.00
Airport	152,027.00	152,027.00	134,799.67	17,227.33
Total Public Works	3,072,870.00	3,073,611.44	2,923,778.68	149,832.76
Culture and Recreation:				
Recreation	81,234.00	81,234.00	50,558.18	30,675.82
Parks	123,237.00	123,237.00	111,212.96	12,024.04
Libraries	116,172.00	116,172.00	118,494.43	(2,322.43)
Total Culture and Recreation	320,643.00	320,643.00	280,265.57	40,377.43
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	11,133.00	11,133.00	75,176.78	(64,043.78)
Total Conservation and Development	11,133.00	11,133.00	75,176.78	(64,043.78)
Total Expenditures	4,003,320.00	4,084,753.76	3,921,091.89	163,661.87
Excess of Revenue Over (Under) Expenditures	(1,507,427.00)	(1,588,860.76)	(1,555,775.18)	33,085.58
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	473.85	473.85
Total Other Financing Sources (Uses)	0.00	0.00	473.85	473.85
Net Change in Fund Balances	(1,507,427.00)	(1,588,860.76)	(1,555,301.33)	33,559.43
Fund Balance - Beginning	2,584,210.07	2,584,210.07	2,584,210.07	0.00
FUND BALANCE - ENDING	1,076,783.07	995,349.31	1,028,908.74	33,559.43

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**BED & BOOZE SALES TAX FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	188,264.00	188,264.00	44,455.79	(143,808.21)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,703.49	1,703.49
Total Revenue	188,264.00	188,264.00	46,159.28	(142,104.72)
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	188,264.00	208,264.00	20,000.00	188,264.00
Total Conservation and Development	188,264.00	208,264.00	20,000.00	188,264.00
Total Expenditures	188,264.00	208,264.00	20,000.00	188,264.00
Net Change in Fund Balances	0.00	(20,000.00)	26,159.28	46,159.28
Fund Balance - Beginning	187,939.39	187,939.39	187,939.39	0.00
<b>FUND BALANCE - ENDING</b>	<b>187,939.39</b>	<b>167,939.39</b>	<b>214,098.67</b>	<b>46,159.28</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL ASSESSMENT REVOLVING FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	7,635.50	7,635.50
Special Assessments	484,466.00	484,466.00	26,559.81	(457,906.19)
Total Revenue	484,466.00	484,466.00	34,195.31	(450,270.69)
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	484,466.00	484,466.00	0.00	484,466.00
Total Public Works	484,466.00	484,466.00	0.00	484,466.00
Total Expenditures	484,466.00	484,466.00	0.00	484,466.00
Net Change in Fund Balances	0.00	0.00	34,195.31	34,195.31
Fund Balance - Beginning	585,482.18	585,482.18	585,482.18	0.00
<b>FUND BALANCE - ENDING</b>	<b>585,482.18</b>	<b>585,482.18</b>	<b>619,677.49</b>	<b>34,195.31</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY FINES FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Fines and Forfeits:				
Library	11,187.00	11,187.00	16,538.45	5,351.45
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	54.85	54.85
Total Revenue	11,187.00	11,187.00	16,593.30	5,406.30
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	11,187.00	11,187.00	11,999.99	(812.99)
Total Culture and Recreation	11,187.00	11,187.00	11,999.99	(812.99)
Total Expenditures	11,187.00	11,187.00	11,999.99	(812.99)
Net Change in Fund Balances	0.00	0.00	4,593.31	4,593.31
Fund Balance - Beginning	23,541.27	23,541.27	23,541.27	0.00
FUND BALANCE - ENDING	23,541.27	23,541.27	28,134.58	4,593.31

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD STREET PARK FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	<u>236,257.00</u>	<u>236,257.00</u>	<u>0.00</u>	<u>(236,257.00)</u>
Total Revenue	<u>236,257.00</u>	<u>236,257.00</u>	<u>0.00</u>	<u>(236,257.00)</u>
<b>Expenditures:</b>				
Culture and Recreation Parks	<u>236,257.00</u>	<u>236,257.00</u>	<u>102,840.74</u>	<u>133,416.26</u>
Total Culture and Recreation	<u>236,257.00</u>	<u>236,257.00</u>	<u>102,840.74</u>	<u>133,416.26</u>
Total Expenditures	<u>236,257.00</u>	<u>236,257.00</u>	<u>102,840.74</u>	<u>133,416.26</u>
Net Change in Fund Balances	<u>0.00</u>	<u>0.00</u>	<u>(102,840.74)</u>	<u>(102,840.74)</u>
Fund Balance - Beginning	<u>176,929.37</u>	<u>176,929.37</u>	<u>176,929.37</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<b><u>176,929.37</u></b>	<b><u>176,929.37</u></b>	<b><u>74,088.63</u></b>	<b><u>(102,840.74)</u></b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**TIF #1 DISTRICT FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Special Assessments	18,059.00	18,059.00	34,694.98	16,635.98
Total Revenue	18,059.00	18,059.00	34,694.98	16,635.98
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	18,059.00	18,059.00	0.00	18,059.00
Total Public Works	18,059.00	18,059.00	0.00	18,059.00
Total Expenditures	18,059.00	18,059.00	0.00	18,059.00
Net Change in Fund Balances	0.00	0.00	34,694.98	34,694.98
Fund Balance - Beginning	23,709.12	23,709.12	23,709.12	0.00
<b>FUND BALANCE - ENDING</b>	<b>23,709.12</b>	<b>23,709.12</b>	<b>58,404.10</b>	<b>34,694.98</b>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**POND TURF PROJECT FUND**  
**For the Year Ended December 31, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Total Revenue	0.00	0.00	0.00	0.00
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	0.00	0.00	150.00	(150.00)
Total Culture and Recreation	0.00	0.00	150.00	(150.00)
Total Expenditures	0.00	0.00	150.00	(150.00)
Net Change in Fund Balances	0.00	0.00	(150.00)	(150.00)
Fund Balance - Beginning	150.00	150.00	150.00	0.00
<b>FUND BALANCE - ENDING</b>	<b>150.00</b>	<b>150.00</b>	<b>0.00</b>	<b>(150.00)</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	768,502.00	768,502.00	807,580.35	39,078.35
General Sales and Use Taxes	650,000.00	650,000.00	989,733.58	339,733.58
Penalties and Interest on Delinquent Taxes	200.00	200.00	786.64	586.64
Licenses and Permits	850.00	850.00	8,606.82	7,756.82
Intergovernmental Revenue:				
Federal Grants	3,000.00	3,000.00	273,917.82	270,917.82
State Grants	31,500.00	31,500.00	11,196.13	(20,303.87)
State Shared Revenue:				
Bank Franchise Tax	10,000.00	10,000.00	14,679.54	4,679.54
Prorate License Fees	4,000.00	4,000.00	0.00	(4,000.00)
Liquor Tax Reversion	8,000.00	8,000.00	7,993.38	(6.62)
Motor Vehicle Licenses	8,000.00	8,000.00	23,556.54	15,556.54
Local Government Highway and Bridge Fund	15,000.00	15,000.00	22,961.14	7,961.14
Other	0.00	0.00	4,849.31	4,849.31
County Shared Revenue:				
County Road Tax	1,200.00	1,200.00	976.26	(223.74)
County Highway and Bridge Fund	0.00	0.00	26,135.29	26,135.29
County Wheel Tax	7,000.00	7,000.00	9,152.39	2,152.39
Charges for Goods and Services:				
General Government	16,000.00	16,000.00	475.00	(15,525.00)
Public Safety	2,475.00	2,475.00	698.00	(1,777.00)
Highways and Streets	0.00	0.00	1,700.00	1,700.00
Sanitation	900.00	900.00	317.97	(582.03)
Culture and Recreation	5,500.00	5,500.00	8,272.50	2,772.50
Airport	14,900.00	14,900.00	4,558.64	(10,341.36)
Fines and Forfeits:				
Library	0.00	0.00	3,804.94	3,804.94
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	59,703.44	59,203.44
Rentals	14,244.00	14,244.00	29,207.00	14,963.00
Liquor Operating Agreement Income	11,800.00	11,800.00	0.00	(11,800.00)
Other	12,000.00	12,000.00	11,320.59	(679.41)
Total Revenue	1,585,571.00	1,585,571.00	2,322,183.27	736,612.27
<b>Expenditures:</b>				
General Government:				
Legislative	74,342.00	88,842.00	88,234.73	607.27
Contingency	12,000.00	12,000.00		
Amount Transferred		0.00		12,000.00
Elections	1,600.00	1,600.00	1,267.32	332.68
Financial Administration	92,706.00	124,706.00	129,111.32	(4,405.32)
Other	37,269.00	43,769.00	50,416.58	(6,647.58)
Total General Government	217,917.00	270,917.00	269,029.95	1,887.05

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	230,162.00	248,162.00	251,884.51	(3,722.51)
Other Protection	7,200.00	7,200.00	1,915.99	5,284.01
Total Public Safety	237,362.00	255,362.00	253,800.50	1,561.50
Public Works:				
Highways and Streets	773,908.00	773,908.00	607,879.65	166,028.35
Sanitation	9,598.00	9,598.00	5,548.74	4,049.26
Airport	61,070.00	141,070.00	140,619.67	450.33
Total Public Works	844,576.00	924,576.00	754,048.06	170,527.94
Culture and Recreation:				
Recreation	71,250.00	78,250.00	78,552.53	(302.53)
Parks	94,440.00	94,440.00	83,135.03	11,304.97
Libraries	109,932.00	109,932.00	105,062.13	4,869.87
Total Culture and Recreation	275,622.00	282,622.00	266,749.69	15,872.31
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	10,094.00	10,094.00	5,813.16	4,280.84
Total Conservation and Development	10,094.00	10,094.00	5,813.16	4,280.84
Total Expenditures	1,585,571.00	1,743,571.00	1,549,441.36	194,129.64
Excess of Revenue Over (Under) Expenditures	0.00	(158,000.00)	772,741.91	930,741.91
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	8,979.37	8,979.37
Total Other Financing Sources (Uses)	0.00	0.00	8,979.37	8,979.37
Net Change in Fund Balances	0.00	(158,000.00)	781,721.28	939,721.28
Fund Balance - Beginning	1,822,243.37	1,822,243.37	1,822,243.37	0.00
Adjustments:				
Change in Basis of Accounting (See Note 7).	0.00	0.00	(19,754.58)	(19,754.58)
Adjusted Fund Balance - Beginning	1,822,243.37	1,822,243.37	1,802,488.79	(19,754.58)
FUND BALANCE - ENDING	1,822,243.37	1,664,243.37	2,584,210.07	919,966.70

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**BED & BOOZE SALES TAX FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b> ( <b>Budgetary Basis</b> )	<b>Variance with</b> <b>Final Budget -</b> <b>Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	20,000.00	20,000.00	45,741.64	25,741.64
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,518.71	1,518.71
Total Revenue	20,000.00	20,000.00	47,260.35	27,260.35
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	20,000.00	40,000.00	40,000.00	0.00
Total Conservation and Development	20,000.00	40,000.00	40,000.00	0.00
Total Expenditures	20,000.00	40,000.00	40,000.00	0.00
Net Change in Fund Balances	0.00	(20,000.00)	7,260.35	27,260.35
Fund Balance - Beginning	180,679.04	180,679.04	180,679.04	0.00
FUND BALANCE - ENDING	180,679.04	160,679.04	187,939.39	27,260.35

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL ASSESSMENT REVOLVING FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	5,024.66	5,024.66
Special Assessments	25,000.00	25,000.00	114,451.47	89,451.47
Total Revenue	25,000.00	25,000.00	119,476.13	94,476.13
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	25,000.00	25,000.00	0.00	25,000.00
Total Public Works	25,000.00	25,000.00	0.00	25,000.00
Total Expenditures	25,000.00	25,000.00	0.00	25,000.00
Net Change in Fund Balances	0.00	0.00	119,476.13	119,476.13
Fund Balance - Beginning	466,006.05	466,006.05	466,006.05	0.00
<b>FUND BALANCE - ENDING</b>	<b>466,006.05</b>	<b>466,006.05</b>	<b>585,482.18</b>	<b>119,476.13</b>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY FINES FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b> (Budgetary Basis)	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Fines and Forfeits:				
Library	4,000.00	4,000.00	2,855.00	(1,145.00)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	35.42	35.42
Contributions and Donations from Private Sources	0.00	0.00	14,776.22	14,776.22
Total Revenue	4,000.00	4,000.00	17,666.64	13,666.64
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	4,000.00	4,000.00	11,035.10	(7,035.10)
Total Culture and Recreation	4,000.00	4,000.00	11,035.10	(7,035.10)
Total Expenditures	4,000.00	4,000.00	11,035.10	(7,035.10)
Net Change in Fund Balances	0.00	0.00	6,631.54	6,631.54
Fund Balance - Beginning	16,909.73	16,909.73	16,909.73	0.00
FUND BALANCE - ENDING	16,909.73	16,909.73	23,541.27	6,631.54

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**3RD STREET PARK FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b> <b>(Budgetary Basis)</b>	<b>Variance with</b> <b>Final Budget -</b> <b>Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	126,000.00	126,000.00	10,400.00	(115,600.00)
Total Revenue	126,000.00	126,000.00	10,400.00	(115,600.00)
<b>Expenditures:</b>				
Culture and Recreation Parks	126,000.00	126,000.00	63,189.43	62,810.57
Total Culture and Recreation	126,000.00	126,000.00	63,189.43	62,810.57
Total Expenditures	126,000.00	126,000.00	63,189.43	62,810.57
Net Change in Fund Balances	0.00	0.00	(52,789.43)	(52,789.43)
Fund Balance - Beginning	229,718.80	229,718.80	229,718.80	0.00
<b>FUND BALANCE - ENDING</b>	<b>229,718.80</b>	<b>229,718.80</b>	<b>176,929.37</b>	<b>(52,789.43)</b>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**TIF #1 DISTRICT FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Special Assessments	7,000.00	7,000.00	11,313.43	4,313.43
Total Revenue	7,000.00	7,000.00	11,313.43	4,313.43
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	7,000.00	7,000.00	0.00	7,000.00
Total Public Works	7,000.00	7,000.00	0.00	7,000.00
Total Expenditures	7,000.00	7,000.00	0.00	7,000.00
Net Change in Fund Balances	0.00	0.00	11,313.43	11,313.43
Fund Balance - Beginning	12,395.69	12,395.69	12,395.69	0.00
<b>FUND BALANCE - ENDING</b>	<b>12,395.69</b>	<b>12,395.69</b>	<b>23,709.12</b>	<b>11,313.43</b>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF PARKSTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**POND TURF PROJECT FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	0.00	0.00	1,500.00	1,500.00
Total Revenue	0.00	0.00	1,500.00	1,500.00
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	0.00	0.00	1,500.00	(1,500.00)
Total Culture and Recreation	0.00	0.00	1,500.00	(1,500.00)
Total Expenditures	0.00	0.00	1,500.00	(1,500.00)
Net Change in Fund Balances	0.00	0.00	0.00	0.00
Fund Balance - Beginning	150.00	150.00	150.00	0.00
<b>FUND BALANCE - ENDING</b>	<b>150.00</b>	<b>150.00</b>	<b>150.00</b>	<b>0.00</b>

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NOTES TO THE SUPPLEMENTARY INFORMATION

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

**NOTE 1. Budgets and Budgetary Accounting:**

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

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

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

The Municipality did not encumber any amounts at either December 31, 2024, and December 31, 2023.

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

**NOTE 2. Other Comprehensive Basis of Accounting Modified Cash Basis/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 Ten 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)
2024	0.0160770%	\$ (650.79)	\$ 399,892.17	0.16%	100.00%
2023	0.0122270%	\$ (1,193.41)	\$ 276,755.33	0.43%	100.10%
2022	0.0170400%	\$ (1,610.39)	\$ 333,788.07	0.48%	100.10%
2021	0.0167860%	\$ (128,552.03)	\$ 318,588.42	40.35%	105.52%
2020	0.0170482%	\$ (740.40)	\$ 321,594.56	0.23%	100.04%
2019	0.0157867%	\$ (1,672.96)	\$ 291,436.66	0.57%	100.09%
2018	0.0152460%	\$ (355.57)	\$ 273,434.32	0.13%	100.02%
2017	0.0157029%	\$ (1,425.05)	\$ 260,447.34	0.55%	100.10%
2016	0.0171954%	\$ 58,084.37	\$ 278,273.60	20.87%	96.89%
2015	0.0163041%	\$ (69,150.35)	\$ 260,377.08	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.

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY PENSION CONTRIBUTIONS

South Dakota Retirement System

Last Ten Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Municipality's covered payroll	Contributions as a percentage of covered payroll
2024	\$ 28,613.50	\$ 28,613.50	\$ -	\$ 421,887.25	6.78%
2023	\$ 23,992.39	\$ 23,992.39	\$ -	\$ 352,304.67	6.81%
2022	\$ 19,144.71	\$ 19,144.71	\$ -	\$ 278,833.70	6.87%
2021	\$ 22,780.97	\$ 22,780.97	\$ -	\$ 325,043.03	7.01%
2020	\$ 22,271.51	\$ 22,271.51	\$ -	\$ 326,292.44	6.83%
2019	\$ 21,722.54	\$ 21,722.54	\$ -	\$ 317,343.07	6.85%
2018	\$ 19,050.48	\$ 19,050.48	\$ -	\$ 276,915.38	6.88%
2017	\$ 18,018.31	\$ 18,018.31	\$ -	\$ 260,947.36	6.90%
2016	\$ 18,531.75	\$ 18,531.75	\$ -	\$ 269,746.04	6.87%
2015	\$ 18,846.37	\$ 18,846.37	\$ -	\$ 274,109.42	6.88%

**MUNICIPALITY OF PARKSTON**  
**Notes to Required Supplementary Information**  
**for the Year Ended December 31, 2024**

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

**Changes from Prior Valuation**

The June 30, 2024, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

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

**Benefit Provision Changes**

During the 2024 Legislative Session no significant SDRS benefit changes were made.

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

**Actuarial Method Changes**

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

**Actuarial Assumption Changes**

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

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.

**MUNICIPALITY OF PARKSTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the two Years Ended December 31, 2024

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Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2023	Total Federal Expenditures 2024	Total Federal Expenditures
US Department of Transportation - Direct Programs:					
Airport Improvement Program	20.106	*	162,261.08	164,266.00	326,527.08
COVID 19: Airport Improvement Program	20.106	*	40,681.74	40,681.74	40,681.74
<b>Total US Department of Transportation</b>			<b>202,942.82</b>	<b>164,266.00</b>	<b>367,208.82</b>
US Department of Treasury - Pass Through Programs:					
SD Bureau of Finance and Management,					
COVID 19: Coronavirus Relief Fund	21.019	*		2,196.00	2,196.00
US Department of Treasury - Direct Programs:					
COVID 19: Coronavirus State and Local Fiscal Recovery Funds (Note 4)	21.027	*		1,221,803.47	1,221,803.47
<b>Total US Department of Treasury</b>			<b>0.00</b>	<b>1,223,999.47</b>	<b>1,223,999.47</b>
US General Services Administration - Pass-Through Programs:					
SD Federal Property Agency,					
Donation of Federal Surplus Personal Property (Note 6)	39.003	*	4,093.27	593.94	4,687.21
<b>Total US General Services Administration</b>			<b>4,093.27</b>	<b>593.94</b>	<b>4,687.21</b>
Institute of Museum and Library Services - Pass Through Programs					
SD Department of Education,					
Grants to States	45.310	*		2,064.00	2,064.00
<b>Total Institute of Museum and Library Services</b>			<b>0.00</b>	<b>2,064.00</b>	<b>2,064.00</b>
US Department of Homeland Security - Pass-Through Programs:					
SD Department of Public Safety - Office of Emergency Management,					
Hazard Mitigation Grant	97.039	*	70,975.00	20,064.66	91,039.66
<b>Total US Department of Homeland Security</b>			<b>70,975.00</b>	<b>20,064.66</b>	<b>91,039.66</b>
<b>GRAND TOTAL</b>			<b>\$278,011.09</b>	<b>\$1,410,988.07</b>	<b>\$1,688,999.16</b>

\* Pass-Through Entity Identifying Number not provided

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified cash basis of accounting for. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has elected to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Reimbursement**

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 4: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.

**Note 6: Federal Surplus Property**

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the Municipality.

**MUNICIPALITY OF PARKSTON**  
**SCHEDULE OF LONG-TERM LIABILITIES**  
**For the Two Years Ended December 31, 2024**

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A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/2023	Additions	Deletions	Ending Balance 12/31/2024	Due Within One Year
<b>Primary Government:</b>					
<b>Business-Type Activities:</b>					
State Revolving Fund Loan -					
Clean Water #1	270,432.04		71,120.42	199,311.62	27,879.79
State Revolving Fund Loan -					
Clean Water #2		1,483,977.00		1,483,977.00	17,791.94
Rural Development Sewer Proj.					
Revenue Bonds, Series 2015	150,115.60		17,260.60	132,855.00	9,025.74
Direct Borrowing Notes					
Payable-Santel	195,450.12		93,149.35	102,300.77	48,680.86
<b>Total Business-Type Activities</b>	<b>615,997.76</b>	<b>1,483,977.00</b>	<b>181,530.37</b>	<b>1,918,444.39</b>	<b>103,378.33</b>
<b>Total Primary Government</b>	<b>615,997.76</b>	<b>1,483,977.00</b>	<b>181,530.37</b>	<b>1,918,444.39</b>	<b>103,378.33</b>

Liabilities payable at December 31, 2024 is comprised of the following:

**State Revolving Fund Loan – Clean Water #1:**

State Revolving Fund Loan - Clean Water #1, \$199,311.62  
 Original Issue \$635,690.00  
 Maturing January 15, 2030, Interest rate of 3.35%,  
 Paid by Sewer Fund

**State Revolving Fund Loan – Clean Water #2:**

State Revolving Fund Loan - Clean Water #2, \$1,483,977.00  
 Original Issue maximum of \$1,926,260.00  
 Maturing May 15, 2055, Interest rate of 2.125%,  
 Paid by Sewer Fund

**Sales Tax Bonds:**

Sewer Project Revenue Bonds, Series 2015, \$132,855.00  
 Original Issue \$300,000.00,  
 Maturing May 4, 2037, Fixed Interest of 3.00%,  
 Paid by the Sewer Fund

**Direct Borrowing Notes Payable-Santel Communications:**

Sewer Project Notes Payable \$102,300.77  
 Original Issue \$240,000.00,  
 Maturing May 1, 2027, Fixed interest of 3.00%,  
 Paid by the Sewer Fund

The Municipality's outstanding note from direct borrowings related to business-type activities of \$102,300.77 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.

**MUNICIPALITY OF PARKSTON**  
**SCHEDULE OF LONG-TERM LIABILITIES**  
**For the Two Years Ended December 31, 2024**

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The annual requirements to amortize all liabilities outstanding as of December 31, 2024 are as follows:

**Annual Requirements to Maturity for Long-Term Liabilities**  
**December 31, 2024**

Year Ending December 31,	State Revolving Fund Loan Clean Water #1		Rural Development Revenue Bonds, Series 2015		Sewer Project		State Revolving Fund Loan Clean Water #2	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	27,879.79	4,632.92	9,025.74	3,862.26	17,791.94	15,720.12		
2025	38,241.67	5,108.61	9,300.26	3,587.74	36,154.52	30,869.60		
2026	39,499.76	3,850.52	9,583.14	3,304.86	36,928.95	30,095.17		
2027	40,799.23	2,551.05	9,874.61	3,013.39	37,719.97	29,304.15		
2028	42,141.45	1,208.83	10,174.95	2,713.05	38,527.93	28,496.19		
2029	10,749.72	87.85	55,709.56	8,730.44	205,377.86	129,742.74		
2030-2034			29,186.74	1,959.26	228,336.48	106,784.12		
2035-2039					253,861.56	81,259.04		
2040-2044					282,240.05	52,880.55		
2045-2049					313,790.81	21,329.79		
2050-2054					33,246.93	265.13		
2055								
Totals	<u>199,311.62</u>	<u>17,439.78</u>	<u>132,855.00</u>	<u>27,171.00</u>	<u>1,483,977.00</u>	<u>526,746.60</u>		

Year Ending December 31,	Direct Borrowing Notes Payable			
	- Santel Communications		Totals	
	Principal	Interest	Principal	Interest
2025	48,680.86	3,069.02	103,378.33	27,284.32
2026	50,141.28	1,608.60	133,837.73	41,174.55
2027	3,478.63	104.36	89,490.48	37,354.91
2028			88,393.81	34,868.59
2029			90,844.33	32,418.07
2030-2034			271,837.14	138,561.03
2035-2039			257,523.22	108,743.38
2040-2044			253,861.56	81,259.04
2045-2049			282,240.05	52,880.55
2050-2054			313,790.81	21,329.79
2055			33,246.93	265.13
Totals	<u>102,300.77</u>	<u>4,781.98</u>	<u>1,918,444.39</u>	<u>576,139.36</u>