

TOWN OF ROSHOLT  
ROSHOLT, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2022  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

TOWN OF ROSHOLT  
ROSHOLT, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2022

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
605.270.3020

Governing Board  
Town of Rosholt  
Rosholt, South Dakota

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

### *Financial Statement Audit:*

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the Town of Rosholt (Town), Roberts County, South Dakota as of December 31, 2022, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These financial statements collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Qualified Opinions:*

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, and each major fund of the Town of Rosholt, Roberts County, South Dakota as of December 31, 2022, and the respective changes in its financial position for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting.

### *Basis for Qualified Opinions*

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

### *Matter Giving Rise to Qualified Opinions:*

Records of the Rosholt Housing and Redevelopment Commission were not available to me as part of my audit of the Town of Rosholt's basic financial statements. The Rosholt Housing and Redevelopment Commission represents 100% of the cash assets, net position, receipts and disbursements of the discretely presented component unit on the government-wide statement of net position and statement of activities.

The video lottery checking account was not included in the Town of Rosholt's general ledger and documents supporting video lottery activity was insufficient.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Town of Rosholt'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 Responsibility for the Audit of the Financial Statements:*

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

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

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

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

*Other Matters - Basis of Accounting:*

I draw attention to note 1c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Supplementary Information (no opinion):*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 26 and 29), the Town's Proportionate Share of Net Pension (Asset)/Liability (page 30), and the Schedule of the Town's Contribution (page 30) be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

*Supplementary Information (opinion):*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town of Rosholt's financial statements.

The schedule of changes in long-term liabilities (page 25) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinions" paragraph above, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 4, 2024 (page 33) on my consideration of Town Rosholt's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Rosholt's internal control over financial reporting or on compliance. That report is an integral part of

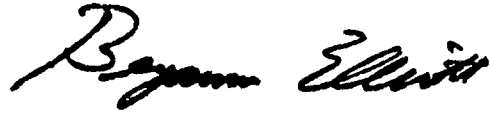
Town of Rosholt

Independent Auditor's Report -- Page Four

an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rosholt's internal control over financial reporting and compliance.

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

September 4, 2024

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and a stylized "E".

TOWN OF ROSHOLT

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2022

	Primary Government			Component
	Governmental	Business-	Total	Unit
	Activities	Type		NOT AUDITED
		Activities		at
				12-31-2022
ASSETS:				
Petty cash		5,400	5,400	
Checking	321,509	508,429	829,938	41,730
Savings	0	0	0	11,389
Certificates of deposit	28,478	0	28,478	51,821
	-----	-----	-----	-----
Total assets	349,987	513,829	863,816	104,940
	=====	=====	=====	=====
NET POSITION:				
Restricted for:				
Debt service		25,682	25,682	
DENR maintenance reserve		1,000	1,000	
Community Center	13,593		13,593	
Customer deposits			0	10,219
Unrestricted	336,394	487,147	823,541	94,721
	-----	-----	-----	-----
Total net position	349,987	513,829	863,816	104,940
	=====	=====	=====	=====

See accompanying notes.

## TOWN OF ROSHOLT

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

FOR THE YEAR ENDING DECEMBER 31, 2022					Net Receipts (Disbursements) and Changes in Net Position			Component Unit NOT AUDITED at 12-31-2022
Functions/Programs:	Program Receipts				Primary Government			
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	99,541	5,910			-93,631		-93,631	
Public safety	40,911				-40,911		-40,911	
Public works	215,743	51,906	39,225		-124,612		-124,612	
Culture and recreation	19,170	15,451			-3,719		-3,719	
Debt service	14,005				-14,005		-14,005	
Total governmental activities	389,370	73,267	39,225	0	-276,878	0	-276,878	0
Business-type activities:								
Liquor	471,431	493,025				21,594	21,594	
Water	90,364	94,744				4,380	4,380	
Sewer	71,549	60,158				-11,391	-11,391	
Total business-type activities	633,344	647,927	0	0	0	14,583	14,583	0
Total primary government	1,022,714	721,194	39,225	0	-276,878	14,583	-262,295	0
Rosholt Housing & Redevelopment Commission	131,123	125,192						-5,931
General receipts:								
Property taxes					106,992		106,992	
Sales tax					158,272		158,272	
State shared receipts					27,853		27,853	
County shared receipts					1,646		1,646	
Interest received					1,894		1,894	187
Miscellaneous					27,754		27,754	
Total general receipts and transfers					324,411	0	324,411	187
Change in net position					47,533	14,583	62,116	-5,744
Net position:								
January 1, 2022					302,454	499,246	801,700	110,684
December 31, 2022					349,987	513,829	863,816	104,940

See accompanying notes.



## TOWN OF ROSHOLT

## STATEMENT OF ACTIVITIES

## MODIFIED CASH BASIS

FOR THE YEAR ENDING DECEMBER 31, 2021

FOR THE YEAR ENDING DECEMBER 31, 2021					Net Receipts (Disbursements) and Changes in Net Position			Component Unit NOT AUDITED at 12-31-2021
Functions/Programs:	Program Receipts				Primary Government			
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	97,816	1,529			-96,287		-96,287	
Public safety	32,748				-32,748		-32,748	
Public works	129,891	40,841			-89,050		-89,050	
Culture and recreation	14,797	12,786			-2,011		-2,011	
Debt service	14,005				-14,005		-14,005	
Total governmental activities	289,257	55,156	0	0	-234,101	0	-234,101	0
Business-type activities:								
Liquor	380,300	473,160				92,860	92,860	
Water	44,319	96,659	38,358			90,698	90,698	
Sewer	58,864	86,458				27,594	27,594	
Total business-type activities	483,483	656,277	38,358	0	0	211,152	211,152	0
Total primary government	772,740	711,433	38,358	0	-234,101	211,152	-22,949	0
Rosholt Housing & Redevelopment Commission	110,546	122,035						11,489
General receipts:								
Property taxes					106,210		106,210	
Sales tax					213,551		213,551	
State shared receipts					28,008		28,008	
County shared receipts					658		658	
Interest received					1,390		1,390	916
Miscellaneous					23,940		23,940	
Sale of surplus property					900		900	
Insurance settlement					3,044		3,044	
Total general receipts and transfers					377,701	0	377,701	916
Change in net position					143,600	211,152	354,752	12,405
Net position:								
January 1, 2021					214,198	288,094	502,292	98,279
Prior period cash adjustment					-55,344		-55,344	
					158,854	288,094	446,948	98,279
December 31, 2021					302,454	499,246	801,700	110,684

See accompanying notes.

TOWN OF ROSHOLT

BALANCE SHEET -- MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2022

	General Fund	Community Center Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Checking	307,916	13,593	321,509
Savings			0
Certificates of deposit	28,478		28,478
	-----	-----	-----
Total assets	336,394	13,593	349,987
	=====	=====	=====
 FUND BALANCES:			
Nonspendable			0
Restricted		13,593	13,593
Committed			0
Assigned			0
Unassigned	336,394		336,394
	-----	-----	-----
Total fund balances	336,394	13,593	349,987**
	=====	=====	=====

\*\* Equals net position on  
statement of net position

See accompanying notes.

TOWN OF ROSHOLT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES -- MODIFIED CASH BASIS  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2022  
FOR THE YEAR ENDING DECEMBER 31, 2021

	2022			2021		
	General	Community	Total	General	Community	Total
	Fund	Center	Governmental	Fund	Center	Governmental
	Fund	Fund	Funds	Fund	Fund	Funds
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	106,992		106,992	106,210		106,210
General sales and use taxes	158,272		158,272	213,551		213,551
Licenses and permits:	2,350		2,350	1,150		1,150
Intergovernmental receipts:						
Federal grant - COVID	39,225		39,225	0		0
State shared receipts:						
Bank franchise	699		699	1,226		1,226
Port of entry	2,108		2,108	1,673		1,673
Liquor tax revision	2,656		2,656	3,015		3,015
Motor vehicle license	7,304		7,304	7,128		7,128
Highway and bridge	15,086		15,086	14,966		14,966
County shared receipts: road	1,646		1,646	658		658
Charges for goods and services:						
General government	3,560		3,560	379		379
Solid waste	31,637		31,637	15,883		15,883
Special assessment	20,269		20,269	24,958		24,958
Culture and recreation			0	1,325		1,325
Community Center		15,451	15,451		11,461	11,461
Fines and forfeits:			0			0
Miscellaneous receipts:						
Interest and dividends	1,890	4	1,894	1,388	2	1,390
Other	27,754		27,754	23,940		23,940
Total receipts	421,448	15,455	436,903	417,450	11,463	428,913
Disbursements:						
General government:	99,541		99,541	97,816		97,816
Public safety:						
Police	32,500		32,500	24,716		24,716
Fire	8,411		8,411	8,032		8,032
Public works:						
Highways and streets	124,269		124,269	77,265		77,265
Solid waste	29,242		29,242	35,406		35,406
Culture and recreation:						
Parks and recreation	3,568		3,568	5,549		5,549
Community Center		15,602	15,602		9,248	9,248
Debt service	14,005		14,005	14,005		14,005
Capital outlay	62,232		62,232	17,220		17,220
Total disbursements	373,768	15,602	389,370	280,009	9,248	289,257
Excess of receipts over (under) disbursements	47,680	-147	47,533	137,441	2,215	139,656
Other financing sources (uses):						
Sale of surplus property			0	900		900
Insurance settlement			0	3,044		3,044
Net change in fund balance (**)	47,680	-147	47,533	141,385	2,215	143,600
Fund balances:						
January 1, 2021				202,673	11,525	214,198
Prior year cash adjustment				-55,344		-55,344
January 1, 2021, adjusted				147,329	11,525	158,854
December 31, 2021	288,714	13,740	302,454	288,714	13,740	302,454
December 31, 2022	336,394	13,593	349,987			

(\*\*) Equals change in net position  
on Statement of Activities

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2022

	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
ASSETS:				
Petty cash	5,400			5,400
Checking	260,588	190,697	57,144	508,429
Savings				0
Certificates of deposit				0
	-----	-----	-----	-----
Total assets	265,988	190,697	57,144	513,829
	=====	=====	=====	=====
NET POSITION:				
Restricted for:				
Debt service		25,682		25,682
DENR maintenance reserve			1,000	1,000
Unrestricted	265,988	165,015	56,144	487,147
	-----	-----	-----	-----
Total net position	265,988	190,697	57,144	513,829
	=====	=====	=====	=====

See accompanying notes.

## TOWN OF ROSHOLT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2022  
 FOR THE YEAR ENDING DECEMBER 31, 2021

	2022				2021			
	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
Operating receipts:								
Charges for goods and services	468,025	94,744	60,158	622,927	448,160	96,659	86,458	631,277
Lottery net receipts, estimate	25,000			25,000	25,000			25,000
Total operating receipts	493,025	94,744	60,158	647,927	473,160	96,659	86,458	656,277
Operating disbursements:								
Personnel	98,919	27,181	25,308	151,408	87,413	20,228	20,397	128,038
Current services	91,133	54,723	9,977	155,833	33,275	15,631	2,203	51,109
Cost of goods sold	251,349			251,349	212,644			212,644
Equipment				0	4,968			4,968
Total operating disbursement	441,401	81,904	35,285	558,590	338,300	35,859	22,600	396,759
Excess of operating receipts over operating disbursements	51,624	12,840	24,873	89,337	134,860	60,800	63,858	259,518
Nonoperating receipts (disbursements):								
Federal grant - COVID				0		38,358		38,358
Debt service: Principal	-27,008	-4,577	-14,668	-46,253	-35,006	-4,369	-14,206	-53,581
Interest	-3,022	-3,883	-21,596	-28,501	-6,994	-4,091	-22,058	-33,143
Total nonoperating receipts (disbursements)	-30,030	-8,460	-36,264	-74,754	-42,000	29,898	-36,264	-48,366
Total receipts (disbursement before capital contributio:	21,594	4,380	-11,391	14,583	92,860	90,698	27,594	211,152
Capital contributions:								
None				0				0
Change in net position	21,594	4,380	-11,391	14,583	92,860	90,698	27,594	211,152
Net position:								
January 1, 2021					151,534	95,619	40,941	288,094
December 31, 2021	244,394	186,317	68,535	499,246	244,394	186,317	68,535	499,246
December 31, 2022	265,988	190,697	57,144	513,829				

See accompanying notes.

TOWN OF ROSHOLT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Town of Rosholt's (Town) Governing Board.

The Town's officials at December 31, 2022 are:

President:	Finance Officer:
Lisa Braun	Paige Lick
Trustees:	Attorney:
Keith Falken	Gordon Nielsen
Marlene Pistorius	
Charlie VanDeputte	
Dennis Wieser	

The Town's financial reporting entity is composed of the following:

Primary government: Town of Rosholt

Component unit: Rosholt Housing & Redevelopment Commission  
Financial statements are available at the  
Rosholt Town Hall.

To determine the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the Town of Rosholt consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Town (the primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town unless that organization can, without the approval of the Town: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Rosholt Housing and Redevelopment Commission (RHRC) is a component unit of the Town of Rosholt and represents 100% of the balances and activity in the discretely presented component unit column of these financial statements.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

The Statement of Net Position reports all cash and cash equivalent assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the Town or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Funds of the Town are described below within their respective fund type:

*Governmental Funds*

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the Town except those required to be accounted for in another fund. The general fund is always a major fund.

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

Community Center Fund - A fund established by SDCL 6-4-1 for operation and maintenance of a community center. This fund is a major fund.

*Enterprise Funds*  
(Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Town has the following enterprise funds:

Liquor Fund - A fund established by SDCL 35-3-21 to provide on-sale and off-sale liquor services. This fund also accounts for video lottery machine activity. This fund is a major fund.

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the Town of Rosholt. This fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the town of Rosholt. This fund is a major fund.

*Fiduciary Funds*

Fiduciary funds are never considered to be major funds.

The Town of Rosholt has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Town's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

Basis of Accounting:

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



The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the Statement of Net Position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Town in these financial statements are investments and certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

If the Town applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would use the accrual basis of accounting.

d. Cash and Cash Equivalents:

The Town considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program receipts are classified in three categories, as follows:

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

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the Town.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund.

Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

*Government-wide financial Statements:*

Equity is classified as net position and is displayed in two components:

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

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Net Position - Restricted".

i. Application of Net Position:

It is the Town's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.

\* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

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

The Town does not have a formal minimum fund cash balance policy.

The Town of Rosholt's fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Community Center	Statute	13,593
Committed	None		0
Assigned	None		0
Unassigned	General		336,394
			-----
			349,987

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source:
* Community Center	Community Activities	Operations (see page 9)

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

### *Budget Overdrafts:*

The Town is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following are overdrafts of departmental disbursement compared to appropriations.

2022: General fund:

Public safety/fire	3,511
Public works/streets	141,001
Debt service	14,005
Community Center fund:	15,602

2021: General fund:

Public safety/fire	3,132
Public works/sanitation	2,406
Conservation and dev/parks	349
Debt service	14,005
Community Center fund:	9,248

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

## 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

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

Deposits - The Town deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required

by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are at cost plus interest if the account is of the add-on type.

Actual bank balances at December 31, 2022 were as follows: Insured \$278,478, Collateralized \*\* \$615,315, for a total of \$893,793.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2022 was \$858,416 held at First Interstate Bank plus \$5,400 of petty cash for a total of \$863,816.

Investments - In general, SDCL 4-5-6 permits Town money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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. Investments (if any) are stated at cost or amortized cost plus accrued interest. The Town had no investments during 2021 or 2022.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for the Town as discussed above. The Town has no investment policy that would further limit its investment choices.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. At December 31, 2022, the Town's deposits in financial institutions were not exposed to deposit custodial risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the Town will not be able to recover the value of an investment or collateral securities held by the counterparty. The Town had no investments during 2021 or 2022 and was not exposed to custodial risk for investments.

Concentration of Credit Risk - the Town places no limit on the amount that may be deposited or invested in any one institution.

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

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

#### 4. INTERFUND TRANSFERS

There were no transfers in 2021 or 2022.

## 5. RESTRICTED NET POSITION

Restricted net position at December 31, 2022 is as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Debt	Covenants		25,682
DENR Maintenance	Contract		1,000
Community Center	Statute	13,593	
		-----	-----
Total Restricted Net Position		13,593	26,682

## 6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All liquor fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a bank loan which has a remaining balance of \$93,410. The loan was made to construct the Corner Bar building and is described on page 25. The loan will mature in 2026. In 2022 the loan had pledged revenue of \$51,624 before loan payments of \$30,030.

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$76,976. The loan was made to cover the cost of water improvements and is described on page 25. The loan will mature in 2035. In 2022 the loan had pledged revenue of \$12,840 before loan payments of \$8,460.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$649,391. The loan was made to cover the cost of sewer improvements and is described on page 25. The loan will mature in 2050. In 2022 the loan had pledged revenue of \$24,873 before loan payments of \$36,264.

## 7. PENSION PLAN

### Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

### Plan Information:

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

### Benefits Provided:

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

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

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

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

Legislation enacted in 2021 reduced the minimum COLA from .05% to 0.0% percent.

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

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ending December 31, 2022, 2021 and 2020 were \$10,307, \$10,997, and \$8,830, respectively (employer's share) equal to the required contribution each year.

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

At June 30, 2022 SDRS is 100.1% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the Town as of this measurement period ending June 30, 2022 and reported by the Town as of December 31, 2022 are as follows:

Proportionate share of total pension liability	\$ 908,828
Less: Proportionate share of net position restricted for pension benefits	(909,436)
	-----
Proportionate share of net pension (asset)/liability	\$ (608)
	=====

The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Town's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Town's proportion was .000064380 which is a decrease of .00000637 over its proportion measured as of June 30, 2021.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

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

Retired Members:

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

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table  
Others: Pub G-2010 disabled member mortality table

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

#### Investments

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

#### Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Town's proportionate share of the net pension (asset)/liability	\$126,335	\$(608)	\$(104,355)

#### Pension Plan Fiduciary Net Position:

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



## 8. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the Town's taxes and remits them to the Town.

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

Because the Town is on the modified cash basis of accounting, all property taxes received in cash are considered a receipt for the period in which it is collected.

## 9. INSURANCE

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

### Employee Health Insurance:

The Town joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Town pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

### Property and Liability Insurance:

The Town 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 Town joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The Town's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

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

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

Unemployment benefits:

The Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were paid in 2021 or 2022 and none are expected to be paid for 2023.

10. LITIGATION

At December 31, 2022, the Town was not a party to litigation or pending legal action. However, as discussed in the risk management note above, the Town has liability coverage for itself and its employees through a commercial carrier. Therefore, should there be legal action, it is not expected to have a material effect on the Town's financial statements.

11. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Town has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

The Town does not have any material related party activity.

In 2021 the Town submitted an application to be on the State's Water Plan.

In January 2023 the Town paid-off its 2009 Corner Bar loan for \$96,871.

In 2023 and 2024 the Town is in the process of building a new water tower which is expected to cost approximately \$1.2 million.

TOWN OF ROSHOLT  
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES  
FOR THE TWO YEARS ENDING DECEMBER 31, 2022

		2021	2022	Governmental Funds	Enterprise Funds	Principal Payments Due in 2023
	Beginning 12-31-20	Additions (Deletions)	Additions (Deletions)	Ending 12-31-22	Ending 12-31-22	
<b>OVERNMENTAL - DIRECT BORROWING</b>						
2020 Equipment Installment Loan:						
Original amount of \$64,000						
Maturing in 2025						
Interest at 3.50%						
Monthly payments of \$1,167.10						
Secured by a equipment						
Paid by the general fund	63,100	-11,959	-12,391	38,750		12,838
Totals	63,100	-11,959	-12,391	38,750		12,838
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
1998 Water Revenue Bond, Series 1997:						
Original amount of \$150,000						
Maturing in 2035						
Interest at 4.75%						
Monthly payments of \$705						
Secured by operations	-92Adjustment					
Paid by the water fund	86,216	-4,466	-4,682		76,976	4,804
2009 Corner Bar loan:						
Original amount of \$400,000						
Maturing in 2026						
Interest at 4.50%						
Monthly payments of \$3,000						
Secured by a mortgage and assignment of rents, leases and revenue						
Paid by the liquor fund	155,424	-35,006	-27,008		93,410	31,797
2010 Sewer Project Bond, Series 2009:						
Build America Bond - Direct Pay						
Original amount of \$810,000						
Maturing in 2050						
Interest at 3.25%						
Monthly payments of \$3,022						
Secured by operations	-208					
Paid by the sewer fund	678,915	-14,420	-14,896		649,391	15,159
Totals	920,255	-53,892	-46,586		819,777	51,760

NOTE: The Town of Rosholt has agreed to guaranteed 25% of two \$665,000 Essential Function Housing Development Revenue Refunding Bonds for the Rosholt Housing Redevelopment Commission.  
The Town's maximum remaining guarantee is \$144,249.

SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES  
AT DECEMBER 31, 2022

	Total Payment	Principal	Interest	Balance
<b>2020 Equipment Installment Loan:</b>				
2023	14,005	12,838	1,167	25,912
2024	14,005	13,299	706	12,613
2025	12,838	12,613	225	0
Totals	40,848	38,750	2,098	
<b>1998 Water Revenue Bond, Series 1997:</b>				
2023	8,460	4,804	3,656	72,172
2024	8,460	5,032	3,428	67,140
2025	8,460	5,271	3,189	61,869
2026	8,460	5,521	2,939	56,348
2027	8,460	5,783	2,677	50,565
2028-2032	42,300	33,608	8,692	16,957
2033-2035	18,265	16,957	1,308	0
Totals	102,865	76,976	25,889	
<b>2009 Corner Bar loan:</b>				
2023	36,000	31,797	4,203	61,613
2024	36,000	33,227	2,773	28,386
2025	29,663	28,386	1,277	0
Totals	101,663	93,410	8,253	
<b>2010 Sewer Revenue Bond, Series 2010:</b>				
2023	36,264	15,159	21,105	634,232
2024	36,264	15,651	20,613	618,581
2025	36,264	16,160	20,104	602,421
2026	36,264	16,685	19,579	585,736
2027	36,264	17,228	19,036	568,508
2028-2032	181,320	95,209	86,111	473,299
2033-2037	181,320	111,720	69,600	361,579
2038-2042	181,320	131,093	50,227	230,486
2043-2047	181,320	153,556	27,764	76,930
2048-2050	81,102	76,930	4,172	0
Totals	987,702	649,391	338,311	

## TOWN OF ROSHOLT

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

GENERAL FUND	Budgeted Amounts				Actual (Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	98,100			98,100	106,992	8,892
General sales and use taxes	140,300			140,300	158,272	17,972
Licenses and permits:	2,720			2,720	2,350	-370
Intergovernmental receipts:						
Federal grant - COVID				0	39,225	39,225
State shared receipts:						
Bank franchise	400			400	699	299
Port of entry	400			400	2,108	1,708
Liquor tax reversion	2,200			2,200	2,656	456
Motor vehicle licenses (5%)	8,000			8,000	7,304	-696
Highway and bridge	10,000			10,000	15,086	5,086
County shared receipts: road t	1,120			1,120	1,646	526
Charges for goods and services:						
General government	400			400	3,560	3,160
Solid waste	37,675			37,675	31,637	-6,038
Special assessment				0	20,269	20,269
Culture and recreation	500			500		-500
Other				0		0
Fines and forfeits:				0		0
Miscellaneous receipts:						
Interest and dividends				0	1,890	1,890
Miscellaneous	13,200			13,200	27,754	14,554
Total receipts	315,015	0	0	315,015	421,448	106,433
Disbursements:						
General government:						
General government	149,100			149,100	99,541	49,559
Public safety:						
Police	63,500			63,500	32,500	31,000
Fire	4,900			4,900	8,411	-3,511
Public works:						
Highways and streets	45,500			45,500	186,501	-141,001
Solid waste	33,000			33,000	29,242	3,758
Culture and recreation:						
Parks and recreation	9,500			9,500	3,568	5,932
Debt service				0	14,005	-14,005
Other:	3,195			3,195		3,195
Total disbursements	308,695	0	0	308,695	373,768	-65,073
Excess of receipts over (under) disbursements	6,320	0	0	6,320	47,680	41,360
Other financing sources (uses):						
Sale of surplus property				0		0
Insurance settlement				0		0
Net change in fund balance	6,320	0	0	6,320	47,680	41,360
Fund balance:						
January 1, 2022	288,714			288,714	288,714	0
December 31, 2022	295,034	0	0	295,034	336,394	41,360

## TOWN OF ROSHOLT

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts				Actual (Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	98,100			98,100	106,210	8,110
General sales and use taxes	114,000			114,000	213,551	99,551
Licenses and permits:	2,720			2,720	1,150	-1,570
Intergovernmental receipts:						
State shared receipts:						
Grants				0		0
Bank franchise	400			400	1,226	826
Port of entry	400			400	1,673	1,273
Liquor tax reversion	2,200			2,200	3,015	815
Motor vehicle licenses (5%)	8,000			8,000	7,128	-872
Highway and bridge	10,000			10,000	14,966	4,966
County shared receipts: road taxes				0	658	658
Charges for goods and services:						
General government				0	379	379
Solid waste	37,675			37,675	15,883	-21,792
Special assessment				0	24,958	24,958
Culture and recreation	500			500	1,325	825
Other				0		0
Fines and forfeits:				0		0
Miscellaneous receipts:						
Interest and dividends				0	1,388	1,388
Miscellaneous	13,200			13,200	23,940	10,740
Total receipts	287,195	0	0	287,195	417,450	130,255
Disbursements:						
General government:						
General government	129,100			129,100	97,816	31,284
Public safety:						
Police	63,500			63,500	24,716	38,784
Fire	4,900			4,900	8,032	-3,132
Public works:						
Highways and streets	106,500			106,500	94,485	12,015
Solid waste	33,000			33,000	35,406	-2,406
Culture and recreation:						
Parks and recreation	5,200			5,200	5,549	-349
Debt service				0	14,005	-14,005
Other:	3,195			3,195		3,195
Total disbursements	345,395	0	0	345,395	280,009	65,386
Excess of receipts over (under) disbursements	-58,200	0	0	-58,200	137,441	195,641
Other financing sources (uses):						
Sale of surplus property				0	900	900
Insurance settlement				0	3,044	3,044
Net change in fund balance	-58,200	0	0	-58,200	141,385	199,585
Fund balance:						
January 1, 2021, adjusted	147,329			147,329	147,329	0
December 31, 2021	89,129	0	0	89,129	288,714	199,585

## TOWN OF ROSHOLT

## SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE TWO YEARS ENDING DECEMBER 31, 2022

COMMUNITY CENTER FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Charges for goods and services:			0	15,451	15,451
Interest			0	4	4
Total receipts	0	0	0	15,455	15,455
Disbursements:					
Culture and recreation:			0	15,602	-15,602
Total disbursements	0	0	0	15,602	-15,602
Excess of receipts over (under) disbursements	0	0	0	-147	-147
Other financing sources (uses):					
None			0		0
Change in fund balance	0	0	0	-147	-147
Fund balance:					
January 1, 2022	13,740		13,740	13,740	0
December 31, 2022	13,740	0	13,740	13,593	-147

COMMUNITY CENTER FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Charges for goods and services:			0	11,461	11,461
Interest			0	2	2
Total receipts	0	0	0	11,463	11,463
Disbursements:					
Culture and recreation:			0	9,248	-9,248
Total disbursements	0	0	0	9,248	-9,248
Excess of receipts over (under) disbursements	0	0	0	2,215	2,215
Other financing sources (uses):					
None			0		0
Change in fund balance	0	0	0	2,215	2,215
Fund balance:					
January 1, 2021	11,525		11,525	11,525	0
December 31, 2021	11,525	0	11,525	13,740	2,215

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL  
REVENUE FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town of Rosholt (Town) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2021 and 2022 there were no supplemental budgets to the general fund or special revenue fund. See pages 26 to 28.
- e. Formal budgetary integration is employed as a management control device for the general fund and special revenue fund.
- f. The budgets for the general fund and special revenue fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplementary information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

TOWN OF ROSHOLT  
FOR THE SIX YEARS ENDING DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	Town's Percentage of the Net Pension Asset	Town's Proportionate Share of Net Pension (Asset) Liability	Town's Covered Employee Payroll for its 6-30 Year End	Town's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2022	0.0064380%	-608	153,717	(00.40%)	100.10%
June 30, 2021	0.0070750%	-54,182	156,889	(34.54%)	105.52%
June 30, 2020	0.0064161%	-279	130,587	(00.22%)	100.04%
June 30, 2019	0.0056809%	-602	110,301	(00.55%)	100.09%
June 30, 2018	0.0061378%	-143	116,526	(00.13%)	100.02%
June 30, 2017	0.0014626%	-133	unknown	unknown	100.10%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability which is 6-30 of the Town's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF ROSHOLT  
FOR THE SIX YEARS ENDING DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

Town's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	Town's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
December 31, 2022	10,307	10,307	0	171,789	6.0000%
December 31, 2021	10,997	10,997	0	179,167	6.1400%
December 31, 2020	8,830	8,830	0	136,570	6.4659%
December 31, 2019	6,950	6,950	0	105,786	6.5702%
December 31, 2018	6,950	6,950	0	105,786	6.5702%
December 31, 2017	unknown	unknown	unknown	unknown	unknown

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2022

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

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

SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 20, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes:

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

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

Governing Board  
Town of Rosholt  
Rosholt, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the Town of Rosholt (Town), Roberts County, South Dakota, as of December 31, 2022 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated September 4, 2024 which was qualified for an unaudited component unit and video lottery activity.

Report on Internal Control Over Financial Reporting:

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

I did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-01 and 2022-02 that I consider to be a significant deficiencies.

*Government Auditing Standards* require the auditor to perform limited procedures on the Town's response to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The Town's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Town of Rosholt in a separate Letter of Comments dated September 4, 2024.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rosholt's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests did not disclose an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the Town of Rosholt in a separate Letter of Comments dated September 4, 2024.

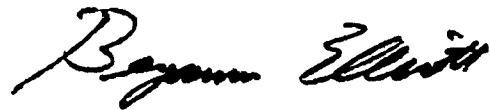
#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Rosholt's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rosholt's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

September 4, 2024

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

There are no prior year federal compliance audit findings.

Prior Other Audit Findings:

2020-01 (preparation of financial statement): Repeated below as 2022-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2022-01: Lack of Proper Segregation of Duties  
(internal control)

*Criteria:*

The management of the Town is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, and reconciled bank statements. As a result, an inadequate segregation of duties existed for the revenue function of the Town of Rosholt.

*Questioned Cost:*

None could be identified regarding this finding.

*Effect:*

Inadequate segregation of duties can lead to the misappropriation of funds.

*Recommendation:*

I recommend the Town of Rosholt's management be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

*Management Response:*

Paige Lick, the Town of Rosholt's finance officer, is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Town has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Town of Rosholt is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2022-02: Preparation of Financial Statements  
(internal control - reported since in 2012)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The Town has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendations:*

This situation is not unusual for an entity of this Town's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

Due to cost constraints, the Town will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.