

CITY OF SELBY  
SELBY, 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

CITY OF SELBY  
SELBY, 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

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Madison, South Dakota 57042  
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Governing Board  
City of Selby  
Selby, South Dakota

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

### *Financial Statement Audit:*

I have audited the accompanying financial statements of governmental activities, business-type activities and each major fund of the City of Selby (City), Walworth 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 City's basic financial statements as listed in the table of contents.

### *Opinions:*

In my opinion 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 City of Selby, Walworth County, South Dakota as of December 31, 2022, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting.

### *Basis for 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 City of Selby, Walworth 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 audit opinions.

### *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 City of Selby'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 City of Selby'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 City of Selby'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 27 to 29), the City's Proportionate Share of Net Pension (Asset)/Liability (page 30), and the Schedule of the City'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 City 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 City of Selby's financial statements.

The schedule of changes in long-term liabilities (page 25 and 26) 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 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 3, 2024 (page 33) on my consideration of City Selby'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 City of Selby's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city of Selby's internal control over financial reporting and compliance.

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

September 3, 2024



CITY OF SELBY

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

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	-----	-----	-----
<b>ASSETS:</b>			
Petty cash	57	25	82
Cash and cash equivalents	1,932,857	325,712	2,258,569
Certificates of deposit	67,987	142,153	210,140
Cash - restricted	76,560	0	76,560
	-----	-----	-----
Total assets	2,077,461	467,890	2,545,351
	=====	=====	=====
 <b>NET POSITION:</b>			
Restricted for:			
Debt service	76,560	103,728	180,288
Repair and replacement		5,016	5,016
Customer deposits		4,696	4,696
Unrestricted	2,000,901	354,450	2,355,351
	-----	-----	-----
Total net position	2,077,461	467,890	2,545,351
	=====	=====	=====

See accompanying notes.

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

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
General government	160,849	6,971	45,863		-108,015		-108,015
Public safety	27,153				-27,153		-27,153
Public works	436,830	66,058	11,465		-359,307		-359,307
Health and welfare	5,111				-5,111		-5,111
Culture and recreation	99,170	6,372			-92,798		-92,798
Economic development	2,153				-2,153		-2,153
Debt service	69,716				-69,716		-69,716
<b>Total governmental activities</b>	<b>800,982</b>	<b>79,401</b>	<b>57,328</b>	<b>0</b>	<b>-664,253</b>	<b>0</b>	<b>-664,253</b>
<i>Business-type activities:</i>							
Water	219,776	219,139				-637	-637
Sewer	150,578	147,384				-3,194	-3,194
<b>Total business-type activities</b>	<b>370,354</b>	<b>366,523</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,831</b>	<b>-3,831</b>
<b>Total primary government</b>	<b>1,171,336</b>	<b>445,924</b>	<b>57,328</b>	<b>0</b>	<b>-664,253</b>	<b>-3,831</b>	<b>-668,084</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					316,508		316,508
Sales taxes					328,090		328,090
State shared receipts					37,935		37,935
County shared receipts					905		905
Interest received					5,493	1,029	6,522
Rentals and cable franchise					31,418		31,418
Donations					29,071		29,071
Miscellaneous					1,819		1,819
Payloader bank loan					111,000		111,000
<b>Total general receipts and loans</b>					<b>862,239</b>	<b>1,029</b>	<b>863,268</b>
<b>Change in net position</b>					<b>197,986</b>	<b>-2,802</b>	<b>195,184</b>
<b>Net position:</b>							
January 1, 2022					1,879,475	470,692	2,350,167
December 31, 2022					2,077,461	467,890	2,545,351

See accompanying notes.

CITY OF SELBY  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS OF ACCOUNTING  
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	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	157,820	7,847	45,820		-104,153		-104,153
Public safety	28,637				-28,637		-28,637
Public works	212,747	50,115	20,398		-142,234		-142,234
Health and welfare	4,276				-4,276		-4,276
Culture and recreation	84,293	6,502			-77,791		-77,791
Economic development	2,260				-2,260		-2,260
Debt service	79,185				-79,185		-79,185
Total governmental activities	569,218	64,464	66,218	0	-438,536	0	-438,536
Business-type activities:							
Water	207,536	234,257				26,721	26,721
Sewer	153,473	171,356				17,883	17,883
Total business-type activities	361,009	405,613	0	0	0	44,604	44,604
Total primary government	930,227	470,077	66,218	0	-438,536	44,604	-393,932
General receipts:							
Taxes:							
Property taxes							
					305,669		305,669
Sales taxes							
					286,242		286,242
State shared receipts							
					39,100		39,100
County shared receipts							
					2,964		2,964
Interest received							
					5,472	1,029	6,501
Rentals and cable franchise							
					31,409		31,409
Miscellaneous							
					6,105		6,105
Rural Development loan proceeds							
					126,403		126,403
Rural Development loan returned							
					-50,237		-50,237
Total general receipts and loans							
					753,127	1,029	754,156
Change in net position							
					314,591	45,633	360,224
Net position:							
January 1, 2021							
					1,564,884	425,059	1,989,943
December 31, 2021							
					1,879,475	470,692	2,350,167

See accompanying notes.



CITY OF SELBY

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

	General Fund
	-----
<b>ASSETS</b>	
Petty cash	57
Cash and cash equivalents	1,932,857
Certificates of deposit	67,987
Checking - restricted	76,560
	-----
Total assets	2,077,461
	=====
 <b>FUND BALANCES:</b>	
Nonspendable	0
Restricted	76,560
Committed	0
Assigned	0
Unassigned	2,000,901
	-----
Total fund balance	2,077,461 *
	=====

\* Also equals net position on  
statement of net position

See accompanying notes.

CITY OF SELBY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
-- MODIFIED CASH BASIS OF ACCOUNTING -- GOVERNMENTAL FUNDS  
FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	General Fund 2022	General Fund 2021
	-----	-----
Receipts:		
Receipts from local sources:		
Taxes:		
Ad valorem taxes	316,508	305,669
General sales and use taxes	328,090	286,242
Licenses and permits:	6,971	7,847
Intergovernmental receipts:		
Federal shared receipts - COVID	57,328	57,275
State shared receipts:		
Grant - bridge		8,943
Commercial prorate	2,876	2,341
Bank franchise tax	6,283	6,811
Liquor tax reversion	4,274	4,643
Motor vehicle license	6,487	7,434
Highway and bridge	18,015	17,871
County shared receipts:		
Road taxes	905	2,964
Charges for goods and services:		
Weed cutting	0	10
Refuse collection	51,252	49,103
Special assessments	13,800	
Cemetery	1,006	1,002
Swimming pool	6,372	6,502
Fines and forfeits:	0	0
Miscellaneous receipts:		
Interest and dividends received	5,493	5,472
Rents and franchise fees	31,418	31,409
Donations	29,071	
Other	1,819	6,105
	-----	-----
Total receipts	887,968	807,643
	-----	-----
Disbursements:		
General government:		
Mayor and Council	39,798	35,257
Elections	1,238	
Financial administration	68,447	69,230
Other	51,366	53,333
Public safety:		
Police	0	0
Fire	27,153	28,637
Public works:		
Streets	102,156	93,378
Solid waste disposal	62,643	54,041
Cemetery	10,224	10,036
Health and welfare:		
Health	2,893	2,353
Ambulance	2,218	1,923
Culture and recreation:		
Swimming pool	62,142	48,739
Parks	28,487	25,257
Library	8,541	10,297
Economic development	2,153	2,260
Debt service - principle	49,071	46,209
Debt service - interest	20,645	21,976
Debt service - issue cost		11,000
Capital outlay	261,807	55,292
	-----	-----
Total disbursements	800,982	569,218
	-----	-----
Excess of receipts over (under) disbursements	86,986	238,425
Other financing sources (uses):		
Rural Development take-out loan proceeds		126,403
Rural Development take-out loan repayment		-50,237
Bank payloader loan	111,000	
Net change in fund balances	197,986 *	314,591 *
Fund balances:		
January 1, 2021		1,564,884
December 31, 2021	1,879,475	1,879,475
December 31, 2022	2,077,461	-----
	=====	-----

\* Equals change in net position on statement of activities  
See accompanying notes.

CITY OF SELBY

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

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
<b>Assets:</b>			
Petty cash	25		25
Cash and cash equivalents	24,019	301,693	325,712
Certificates of deposit	46,144	96,009	142,153
	-----	-----	-----
Total assets	70,188	397,702	467,890
	=====	=====	=====
<b>Net Position:</b>			
Restricted for:			
Debt service	31,848	71,880	103,728
Repairs	3,000	2,016	5,016
Customer deposits	4,696		4,696
Unrestricted	30,644	323,806	354,450
	-----	-----	-----
Total net position	70,188	397,702	467,890
	=====	=====	=====

See accompanying notes.

CITY OF SELBY

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

	2022			2021		
	Water Fund	Sewer Fund	Total Enterprise Funds	Water Fund	Sewer Fund	Total Enterprise Funds
Operating receipts:						
Charges for goods and services	219,139	147,384	366,523	234,257	171,356	405,613
Total operating receipts	219,139	147,384	366,523	234,257	171,356	405,613
Operating disbursements:						
Personal services	17,906	57,839	75,745	17,577	56,500	74,077
Other current services	27,274	15,859	43,133	26,933	15,093	42,026
Cost of goods sold	142,748		142,748	131,178		131,178
Capital improvements		5,000	5,000		10,000	10,000
Total operating disbursements	187,928	78,698	266,626	175,688	81,593	257,281
Excess of operating receipts over operating disbursements	31,211	68,686	99,897	58,569	89,763	148,332
Nonoperating receipts (disbursements):						
Interest earnings	678	351	1,029	678	351	1,029
Debt service: Principal	-11,498	-56,531	-68,029	-11,062	-55,137	-66,199
Interest	-20,350	-15,349	-35,699	-20,786	-16,743	-37,529
Total nonoperating receipts (disbursements)	-31,170	-71,529	-102,699	-31,170	-71,529	-102,699
Total receipts (disbursements) before other receipts	41	-2,843	-2,802	27,399	18,234	45,633
None			0			0
Change in net position	41	-2,843	-2,802	27,399	18,234	45,633
Net position:						
January 1, 2021				42,748	382,311	425,059
December 31, 2021	70,147	400,545	470,692	70,147	400,545	470,692
December 31, 2022	70,188	397,702	467,890			

See accompanying notes.

CITY OF SELBY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
 MODIFIED CASH BASIS OF ACCOUNTING  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	2022			2021		
	Water Fund	Sewer Fund	Total Enterprise Funds	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from:						
Operating activities:						
Receipts from customers	218,139	146,884	365,023	233,257	170,856	404,113
Interfund services provided (estimate)	1,000	500	1,500	1,000	500	1,500
Cash paid to employees	-17,906	-57,839	-75,745	-17,577	-56,500	-74,077
Cash paid to suppliers	-170,022	-15,859	-185,881	-158,111	-15,093	-173,204
Net cash provided (used) by operating activities	31,211	73,686	104,897	58,569	99,763	158,332
Noncapital financing activities:						
None			0			0
Capital financing activities:						
Cash paid for capital improvements		-5,000	-5,000		-10,000	-10,000
Debt service payments - principal	-11,498	-56,531	-68,029	-11,062	-55,137	-66,199
- interest	-20,350	-15,349	-35,699	-20,786	-16,743	-37,529
Investing activities:						
Interest received	678	351	1,029	678	351	1,029
CD interest added back to CDs	-678	-351	-1,029	-679	-351	-1,030
Net increase (decrease) in cash and cash equivalents	-637	-3,194	-3,831	26,720	17,883	44,603
Cash and cash equivalents:						
January 1, 2021				-2,039	287,004	284,965
December 31, 2021	24,681	304,887	329,568	24,681	304,887	329,568
December 31, 2022	24,044	301,693	325,737			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	31,211	68,686	99,897	58,569	89,763	148,332
Add back capital outlay		5,000	5,000		10,000	10,000
Net cash provided (used) by operating activities	31,211	73,686	104,897	58,569	99,763	158,332
Noncash investing, capital and financing activities: None						

See accompanying notes.

CITY OF SELBY  
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 included in this report are controlled by or dependent upon the City of Selby's (City) Governing Board.

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

Mayor:	Finance Officer:
Jim Kihne	Vickie Schulkoski
Council Members:	Attorney:
Don Knecht, President	John Von Wald
Kyle Ackerman	
Casey Eisemann	
Doug Frank	
Clint Perman	
Josh Wudel	

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

Financial Reporting Entity:  
Primary Government: - The City of Selby  
Component Units: - None

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

The reporting entity of the City of Selby 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 City 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 City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Selby does not have any component units.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Cash Activities. These statements display information about the City as a whole. They include all funds of the City 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 revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

The Statement of Net Position reports all cash 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 City's governmental activities and for each segment of City'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 City 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.

The City has elected to classify all of its funds as major funds.

Funds of the City 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 City except those required to be accounted for in another fund. The general fund is always 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 City has the following enterprise funds:

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Selby. The water fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the own of Selby. The sewer fund is a major fund.

*Fiduciary Funds*

Fiduciary funds are never considered to be major funds.

The City of Selby 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 City'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 fund 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 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 City in these financial statements are 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 City 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 be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

The City 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.

The City's certificates of deposit have a maturity of more than three months when purchased and are not considered a cash equivalent for the statement of cash flows.

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 City'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 or the regular operation of the City.

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 restricted net position.

i. Application of Net Position:

It is the City'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 Cash Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City 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 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 Council 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 City of Selby fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		76,560
Committed	None		0
Assigned	None		0
Unassigned	General		2,000,901
			-----
			2,077,461

The City 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 City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The City does not have any special revenue funds.

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

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following represents overdrafts of departmental expenditures compared to appropriations:

2022: General fund - Economic development	1,076
2021: General fund - Economic development	1,183

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation. These budget overdrafts are not considered a material with respect to these financial statements.

## 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its 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 City 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 reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2022 were as follows: Insured \$500,000, Collateralized \*\* \$2,064,560 total of \$2,564,560.

\*\* 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 \$2,545,351 held as follows.

Bank West:	
Checking	2,117,303
Money market	217,825
Certificates of deposit	210,140
	-----
	2,545,268
Petty cash	83
	-----
	2,545,351
	=====

Investments - In general, SDCL 4-5-6 permits City 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.

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 City as discussed above. The City 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 City's deposits may not be returned to it. At December 31, 2022, the City's deposits in Bank West were not exposed to custodial risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. The City had no investments during the two years ending December 31, 2022 and was not exposed to custodial risk for investments.

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

Interest Rate Risk - The City 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 City's policy is to credit all income from deposits and investments to the fund making the investment.

#### 4. INTERFUND TRANSFERS

There were no interfund transfers in 2021 or 2022.

## 5. RESTRICTED NET POSITION

Restricted net position at December 31, 2022 is:

Purpose:	Restricted By:	Governmental	Business-Type
Debt service	Covenants	76,560	103,728
Repair and replacement	Covenants		5,016
Customer deposits	Contract		4,696
		-----	-----
Total Restricted Net Position		76,560	113,440

## 6. FUTURE REVENUES PLEDGED TO SECURE LONG-TERM LIABILITIES

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the 2008 Water Revenue Bond and the 2009 Water Revenue Bond, which have a combined remaining balance of \$517,362. The bonds were incurred to cover the cost of water improvements as described on page 25. The bonds will mature in 2048 and 2049. In 2022 the bonds had pledged revenue of \$31,211 and total bond payments of \$31,848.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the 2011 Sewer Project Revenue Bond, which has a remaining balance of \$583,263. The bonds were incurred to cover the cost of sewer improvements as described on page 25. The bonds will mature in 2032. In 2022 the bonds had pledged revenue of \$73,686 and total bond payments of \$71,880.

## 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 \$8,223, \$7,741, and \$7,766, 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 City as of this measurement period ending June 30, 2022 and reported by the City as of December 31, 2022 are as follows:

Proportionate share of total pension liability	\$ 791,378
Less: Proportionate share of net position restricted for pension benefits	(791,907)
	-----
Proportionate share of net pension (asset)/liability	\$ (529)
	=====

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 City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was .000056060 which is a decrease of .00000072 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 my 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 City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate the is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
City's proportionate share of the net pension (asset)/liability	\$110,009	\$(529)	\$(90,869)

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 City's taxes and remits them to the City. Because the City is on the cash basis of accounting, all property taxes received in cash are considered a receipt for the period in which it was collected.

## 9. INSURANCE

The City 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 City managed its risks as follows:

### Employee Health Insurance:

The City carries property insurance from a commercial carrier. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the health coverage during the past three years.

### Property Insurance:

The City carries property insurance from a commercial carrier. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the property coverage during the past three years.

### Liability Insurance:

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

### Worker's Compensation:

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

10. TAX ABATEMENTS

As of December 31, 2022 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (which it does not have) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

11. LITIGATION

At December 31, 2022 and to the date of this report, the City was a party to litigation or pending legal action. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees through a commercial carrier or the ability to cover any settled claim. Therefore, legal action is not expected to have a material effect on the City's financial statements.

12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City of Selby and the Selby School District share the cost of a library. Each government pays for its costs through its own budget. There is no separate accounting. The school is responsible for library fines.

The City has no material unallowed related party activity.

The City razed its City Hall in 2024 for health reasons. The City received a Brownsfield Grant of approximately \$138,000 to cover demolition cost plus \$27,000 to remove asbestos.

CITY OF SELBY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	Beginning 12-31-20	Additions (Deletions) 2021	Additions (Deletions) 2022	Governmental		Principal Due in 2023
				Activities Ending 12-31-22	Activities Ending 12-31-22	
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
<b>2020 Sales Tax Revenue Bond:</b>						
Original issue of \$1,100,000						
Amount not used and returned: \$50,237						
Maturing in 2038						
Interest at 2.125%						
Prepayments in whole or part are allowed						
Purpose: street improvement project		126,403	Advance			
Collateral: Sales tax		-50,237	Returned			
Paid by the general fund	969,439	-46,209	-47,395	952,001		47,354
<b>2022 Payloader loan:</b>						
Original issue of \$111,000						
Maturing in 2027						
Interest at 4.928%						
Prepayments in whole or part are allowed						
Purpose: purchase payloader with \$60,000 down						
Collateral: Payloader			111,000			
Paid by the general fund	0		-1,676	109,324		20,200
<b>2020 Skid Steer Capitalized Lease:</b>						
Original amount: \$15,100						
Maturing in 2025						
Imputed interest at 5.0%						
Monthly payments of \$289.14						
Balloon payment of \$100						
Paid by the general fund	14,874	-2,726	-2,862	9,286		3,005
	-----	-----	-----	-----		-----
	984,313	27,231	59,067	1,070,611		70,559
	=====	=====	=====	=====		=====
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
<b>2008 Rural Development Water Utility Revenue Bond:</b>						
Original issue of \$364,000						
Maturing in 2048						
Interest at 4.375%						
Purpose: water development						
Collateral: water receipts						
Paid by the water fund	305,205	-6,076	-6,348		292,781	6,499
<b>2009 Rural Development Water Project Revenue Bond:</b>						
Original issue of \$280,000						
Maturing in 2049						
Interest at 3.250%						
Purpose: water development						
Collateral: water receipts						
Paid by the water fund	234,717	-4,986	-5,150		224,581	5,241
<b>2011 Rural Development Sewer Project Revenue Bond:</b>						
Authorized loan amount: \$1,815,000						
Amount not used and returned: \$705,819						
Maturing in 2032						
Interest at 2.50%						
Purpose: sewer development						
Collateral: sewer receipts						
Paid by the sewer fund	694,931	-55,137	-56,531		583,263	57,298
	-----	-----	-----		-----	-----
Totals	1,234,853	-66,199	-68,029		1,100,625	69,038
	=====	=====	=====		=====	=====

CITY OF SELBY  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)  
FOR THE TWO YEARS ENDING DECEMBER 31, 2022

Payment Schedules:	<u>Total Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
<b>2020 Sales Tax Revenue Bond:</b>				
2023	67,584	47,354	20,230	904,647
2024	67,584	48,360	19,224	856,287
2025	67,584	49,388	18,196	806,899
2026	67,584	50,438	17,146	756,461
2027	67,584	51,509	16,075	704,952
2028-2032	337,920	274,437	63,483	430,515
2033-2037	337,920	304,862	33,058	125,653
2038-2042	129,614	125,653	3,961	0
<b>Totals</b>	<b>1,143,374</b>	<b>952,001</b>	<b>191,373</b>	
<b>2022 Payloader loan:</b>				
2023	25,587	20,200	5,387	89,124
2024	25,587	21,195	4,392	67,929
2025	25,587	22,240	3,347	45,689
2026	25,587	23,336	2,251	22,353
2027	23,455	22,353	1,102	0
<b>Totals</b>	<b>125,803</b>	<b>109,324</b>	<b>16,479</b>	
<b>2020 Skid Steer Capitalized Lease:</b>				
2023	3,470	3,005	465	6,281
2024	3,470	3,156	314	3,125
2025	3,280	3,125	155	0
<b>Totals</b>	<b>10,220</b>	<b>9,286</b>	<b>934</b>	
<b>2008 Rural Development Water Revenue Bond:</b>				
2023	19,308	6,499	12,809	286,282
2024	19,308	6,783	12,525	279,499
2025	19,308	7,080	12,228	272,419
2026	19,308	7,390	11,918	265,029
2027	19,308	7,713	11,595	257,316
2028-2032	96,540	43,932	52,608	213,384
2033-2037	96,540	54,420	42,120	158,964
2038-2042	96,540	67,413	29,127	91,551
2043-2047	96,540	83,507	13,033	8,044
2048	8,396	8,044	352	0
<b>Totals</b>	<b>491,096</b>	<b>292,781</b>	<b>198,315</b>	
<b>2009 Rural Development Water Project Revenue Bond:</b>				
2023	12,540	5,241	7,299	219,340
2024	12,540	5,411	7,129	213,929
2025	12,540	5,587	6,953	208,342
2026	12,540	5,769	6,771	202,573
2027	12,540	5,956	6,584	196,617
2028-2032	62,700	32,815	29,885	163,802
2033-2037	62,700	38,505	24,195	125,297
2038-2042	62,700	45,182	17,518	80,115
2043-2047	62,700	53,018	9,682	27,097
2048-2050	28,589	27,097	1,492	0
<b>Totals</b>	<b>342,089</b>	<b>224,581</b>	<b>117,508</b>	
<b>2013 Sewer Utility Revenue Bond:</b>				
2023	71,880	57,298	14,582	525,965
2024	71,880	58,731	13,149	467,234
2025	71,880	60,199	11,681	407,035
2026	71,880	61,704	10,176	345,331
2027	71,880	63,247	8,633	282,084
2028-2032	300,727	282,084	18,643	0
<b>Totals</b>	<b>660,127</b>	<b>583,263</b>	<b>76,864</b>	

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

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	342,750			342,750	316,508	-26,242
General sales and use taxes	300,000		6,000	306,000	328,090	22,090
Licenses and permits:	8,000			8,000	6,971	-1,029
Intergovernmental receipts:						
Federal grant - COVID	0		113,367	113,367	57,328	-56,039
State shared receipts:						
Grants	0		130,000	130,000		-130,000
Commercial prorate	3,000			3,000	2,876	-124
Bank franchise tax	10,000			10,000	6,283	-3,717
Liquor tax reversion	5,000			5,000	4,274	-726
Motor vehicle licenses (5%)	6,500			6,500	6,487	-13
Highway and bridge	18,000			18,000	18,015	15
County shared receipts:						
Road taxes	9,800			9,800	905	-8,895
Charges for goods and services:						
Refuse collection	45,000		5,000	50,000	51,252	1,252
Special assessments				0	13,800	13,800
Cemetery	500			500	1,006	506
Animal Control				0		0
Swimming pool	7,000			7,000	6,372	-628
Fines and forfeits:				0	0	0
Miscellaneous receipts:						
Interest and dividends receive	4,000			4,000	5,493	1,493
Rents and franchise fees	47,000			47,000	31,418	-15,582
Donations				0	29,071	29,071
Other	5,000		36,000	41,000	1,819	-39,181
Total receipts	<u>811,550</u>	<u>0</u>	<u>290,367</u>	<u>1,101,917</u>	<u>887,968</u>	<u>-213,949</u>
Disbursements:						
General government:						
Mayor and Council	37,977		8,390	46,367	39,798	6,569
Contingency	47,000			47,000		47,000
Amount transferred				0		0
Elections	600		850	1,450	1,238	212
Financial administration	71,478		112,690	184,168	68,447	115,721
Other	32,000		45,000	77,000	51,366	25,634
Public safety:						
Fire	32,500		1,410	33,910	27,153	6,757
Public works:						
Streets	454,897		110,899	565,796	363,963	201,833
Sanitation	52,000		13,000	65,000	62,643	2,357
Cemetery	10,200		60	10,260	10,224	36
Health and welfare:						
West Nile	20,000		19,900	39,900		39,900
Clinic	3,250			3,250	2,893	357
Ambulance	2,000		500	2,500	2,218	282
Culture and recreation:						
Swimming pool	66,983		12,483	79,466	62,142	17,324
Parks	28,384		4,669	33,053	28,487	4,566
Library	11,204			11,204	8,541	2,663
Economic development	1,077			1,077	2,153	-1,076
Debt service	70,000			70,000	69,716	284
Total disbursements	<u>941,550</u>	<u>0</u>	<u>329,851</u>	<u>1,271,401</u>	<u>800,982</u>	<u>470,419</u>
Excess of receipts over (under) disbursements	-130,000	0	-39,484	-169,484	86,986	256,470
Other financing sources (uses):						
Loan proceeds				0	111,000	111,000
Net change in fund balance	-130,000	0	-39,484	-169,484	197,986	367,470
Fund balance:						
January 1, 2022	<u>1,879,475</u>			<u>1,879,475</u>	<u>1,879,475</u>	<u>0</u>
December 31, 2022	<u>1,749,475</u>	<u>0</u>	<u>-39,484</u>	<u>1,709,991</u>	<u>2,077,461</u>	<u>367,470</u>

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

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	315,500			315,500	305,669	-9,831
General sales and use taxes	280,000			280,000	286,242	6,242
Licenses and permits:	8,000			8,000	7,847	-153
Intergovernmental receipts:						
Federal grant - COVID			64,565	64,565	57,275	-7,290
State shared receipts:						
Grants	1,200		54,862	56,062	8,943	-47,119
Commercial prorata	3,000			3,000	2,341	-659
Bank franchise tax	10,000			10,000	6,811	-3,189
Liquor tax reversion	5,000			5,000	4,643	-357
Motor vehicle licenses (5%)	6,000		900	6,900	7,434	534
Highway and bridge	16,000		1,514	17,514	17,871	357
County shared receipts:						
Road taxes	9,800			9,800	2,964	-6,836
Charges for goods and services:						
Weed cutting				0	10	10
Refuse collection	42,000		1,000	43,000	49,103	6,103
Cemetery	500		101	601	1,002	401
Animal Control				0		0
Swimming pool	4,000		2,500	6,500	6,502	2
Fines and forfeits:				0	0	0
Miscellaneous receipts:						
Interest and dividends receive	2,000		3,078	5,078	5,472	394
Rents and franchise fees	32,000		11,076	43,076	31,409	-11,667
Donations				0		0
Other	5,000		1,820	6,820	6,105	-715
<b>Total receipts</b>	<b>740,000</b>	<b>0</b>	<b>141,416</b>	<b>881,416</b>	<b>807,643</b>	<b>-73,773</b>
Disbursements:						
General government:						
Mayor and Council	34,627		4,701	39,328	35,257	4,071
Contingency	35,500			35,500		35,500
Amount transferred				0		0
Elections	300			300		300
Financial administration	70,807		56,462	127,269	69,230	58,039
Other	15,600		39,800	55,400	53,333	2,067
Public safety:						
Fire	32,000		212	32,212	28,637	3,575
Public works:						
Streets	318,727		24,353	343,080	148,670	194,410
Sanitation	50,000		5,000	55,000	54,041	959
Cemetery	10,400			10,400	10,036	364
Health and welfare:						
West Nile	1,000			1,000		1,000
Clinic	3,250			3,250	2,353	897
Ambulance	2,000			2,000	1,923	77
Culture and recreation:						
Swimming pool	46,625		6,883	53,508	48,739	4,769
Parks	21,715		4,005	25,720	25,257	463
Library	14,372			14,372	10,297	4,075
Economic development	1,077			1,077	2,260	-1,183
Debt service	82,000			82,000	79,185	2,815
<b>Total disbursements</b>	<b>740,000</b>	<b>0</b>	<b>141,416</b>	<b>881,416</b>	<b>569,218</b>	<b>312,198</b>
Excess of receipts over (under) disbursements	0	0	0	0	238,425	238,425
Other financing sources (uses):						
Loan proceeds				0	126,403	126,403
Loan proceeds returned				0	-50,237	-50,237
Net change in fund balance	0	0	0	0	314,591	314,591
Fund balance:						
January 1, 2021	1,564,884			1,564,884	1,564,884	0
December 31, 2021	1,564,884	0	0	1,564,884	1,879,475	314,591

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

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

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Selby (City) 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 2022 there was one supplemental budget to the general fund. During 2021 there was one supplemental budget to the general fund. See page 27 and 28.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. The budget for the general fund is 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 supplemental 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.

CITY OF SELBY  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

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

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City'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	0.0056060%	-530	133,850	(00.40%)	100.10%
June 30, 2021	0.0056780%	-43,484	128,850	(33.75%)	105.52%
June 30, 2020	0.0060461%	-263	132,700	(00.20%)	100.04%
June 30, 2019	0.0054333%	-576	115,517	(00.50%)	100.09%
June 30, 2018	0.0064417%	-150	133,917	(00.11%)	100.02%
June 30, 2017	0.0055673%	-505	113,117	(00.45%)	100.10%
June 30, 2016	0.0070564%	23,836	130,800	18.22%	96.89%
June 30, 2015	0.0083292%	-35,327	139,415	(25.34%)	104.10%
June 30, 2014	0.0083439%	-60,114	135,617	(44.33%)	107.30%

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

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

CITY OF SELBY  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2022	8,223	8,223	0	137,050	6.0000%
December 31, 2021	7,741	7,741	0	129,017	6.0000%
December 31, 2020	7,766	7,766	0	129,433	6.0000%
December 31, 2019	7,456	7,456	0	124,267	6.0000%
December 31, 2018	7,345	7,345	0	122,417	6.0000%
December 31, 2017	7,106	7,106	0	118,433	6.0000%
December 31, 2016	6,488	6,488	0	105,407	6.1552%
December 31, 2015	9,259	9,259	0	141,472	6.5448%
December 31, 2014	9,468	9,468	0	146,661	6.4557%

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



CITY OF SELBY  
DECEMBER 31, 2022

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%.

CITY OF SELBY  
DECEMBER 31, 2022

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  
City of Selby  
Selby, 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 City of Selby (City), Walworth 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 City's basic financial statements and have issued my report thereon dated September 3, 2024 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Selby'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 City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Selby'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 City's response to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The City'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 City of Selby in a separate Letter of Comments dated September 3, 2024.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Selby'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*.

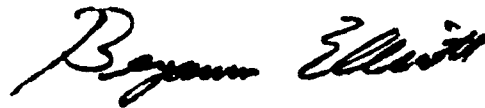
I did note minor matters involving compliance that I reported to the governing body and management of the City of Selby in a separate Letter of Comments dated September 3, 2024.

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 City of Selby'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 City of Selby'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 mater of public record and its distribution is not limited.

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



September 3, 2024

CITY OF SELBY  
SCHEDULES OF AUDIT FINDINGS  
DECEMBER 31, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:  
Not applicable to this audit.

Prior Other Audit Findings:

2020-01 [Segregation of Duties] - Repeated below as 2022-01

2020-02 [Preparation of Financial Statements] - Repeated below as 2022-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Independent Auditor's Results:

*Financial Statements*

Type of auditor's report issued:

Unmodified on:

Governmental Activities

Business-Type Activities

Major Funds

Noncompliance:

\* Material to financial statements noted? NONE REPORTED

Internal control over financial reporting:

\* Material weakness(es) identified? NONE REPORTED

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Finding 2022-01, 2022-02

Part II - Findings Relating to the Financial Statements

Finding 2022-01: Segregation of Duties

(internal control, first reported in 2008)

*Criteria:*

The management of the City 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, and prepared bank deposits. As a result, an inadequate segregation of duties existed for revenue transactions for the City of Selby.

*Questioned Cost:*

None could be identified regarding this finding.

*Effect:*

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

CITY OF SELBY  
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)  
DECEMBER 31, 2022

*Recommendation:*

I recommend the City of Selby's management be cognizant of this lack of segregation of duties for revenue transactions and attempt to provide compensating internal controls whenever and wherever possible and practical.

*Response:*

The City of Selby'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 City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City of Selby 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 for revenue transactions is expected to continue to exist.

Finding 2022-02: Preparation of Financial Statements  
(internal control, first reported in 2008)

*Criteria:*

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

*Condition:*

The City 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.

*Recommendation:*

This situation is not unusual for a City of this 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 City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.