

**MUNICIPALITY OF VALLEY SPRINGS
VALLEY SPRINGS, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021
AND
FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF VALLEY SPRINGS

MUNICIPAL OFFICIALS
DECEMBER 31, 2022

MAYOR:

Carl Moss

GOVERNING BOARD:

Dean Helgeson
Rick Larsen
Sandy Severtson
Jeff Shawd

FINANCE OFFICER:

Samantha Boyer

ATTORNEY:

Patrick Glover

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

Governing Board
Municipality of Valley Springs
Valley Springs, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Valley Springs, South Dakota (Municipality), as of December 31, 2022 and December 31, 2021, and for each of the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated June 26, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests did disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-002.

Municipality's Responses to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 26, 2024

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

Governing Board
Municipality of Valley Springs
Valley Springs, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Valley Springs, South Dakota (Municipality), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2022. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Valley Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

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deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
June 26, 2024

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2022-001.

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

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund opinion units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2022-001.
- c. Our audit did disclose noncompliance which was material to the financial statements and is discussed in finding number 2022-002.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CRF 200.516(a).
- f. The federal awards tested as major programs were:
 1. Drinking Water State Revolving Fund ALN 66.468
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The Municipality of Valley Springs did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance audit findings to disclose.

CURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit finding since 2018.

Criteria:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause of Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

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

Recommendation:

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

Compliance – Related Finding:

Finding Number 2022-002:

Condition:

Expenditures exceeded the amounts budgeted in several functions in 2022 and 2021. This is the first audit in which a similar finding has occurred.

Criteria:

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

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MUNICIPALITY OF VALLEY SPRINGS
-----SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)Cause of Condition:

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

Potential Effect of Condition:

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

Recommendation:

2. We recommend that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7.

CLOSING CONFERENCE

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

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CITY OF VALLEY SPRINGS

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CORRECTIVE ACTION PLAN

Finding Number 2022-001: Material weakness in internal controls due to lack of segregation of duties for revenues.

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Valley Springs Finance Officer, Donna Van Hout, with Mayor, Rick Larsen, are the contact persons responsible for the corrective action plan for this finding. Finding Number 2022-001 is due to the limited number of staff the City of Valley Springs can afford to have on the payroll budget. The Mayor, City Council Members, and Finance Administration employees are aware of the risk and have taken steps to reduce that risk. Our Assistant Finance Officer helps collect and oversee the collection of revenues through the current municipal software utility billing. The Finance officer and the assistant generating utility bills. The Finance Officer also conducts reconciliation on all accounts and would be required to report any discrepancies to the Mayor and Commission. Our Finance Officer is required to run all revenue and expense reports monthly, our check signing procedures require two signatures, most generally the Mayor, the Finance Officer, the Finance and Revenue Commissioner and the Commission Vice-President. The Finance Officer conducts the payroll process and fills out the claim vouchers and the claims list is presented to the City Council at each meeting.

Finding Number 2022-002: Expenditures exceeded the amounts budgeted in four departments in the General Fund.

The City of Valley Springs Finance Officer, Donna Van Hout, and the Mayor, Rick Larsen, are the contact persons responsible for the corrective action on this plan. The corrective action is a scheduled review for October/November to evaluate the potential risks of running over budget in any department. By evaluating and correcting over budget discrepancies earlier, the Finance Administration can reduce the risk of being over budget.

Donna Van Hout, Finance Officer

Rick Larsen, Mayor

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Valley Springs
Valley Springs, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Valley Springs, South Dakota (Municipality), as of December 31, 2021, and 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 Municipality's basic financial statements as listed in the table of contents.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Valley Springs as of December 31, 2021, and December 31, 2022, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

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Awards (Uniform Guidance), the Schedule of Long-Term Debt, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Municipal Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Long-Term Debt, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Municipal Contributions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.

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Certified Public Accountants
June 26, 2024

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MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	573,314.19	725,495.18	1,298,809.37
Investments		257,966.67	257,966.67
TOTAL ASSETS	573,314.19	983,461.85	1,556,776.04
NET POSITION:			
Restricted:			
Debt Service Purposes		198,696.53	198,696.53
Unrestricted	573,314.19	784,765.32	1,358,079.51
TOTAL NET POSITION	573,314.19	983,461.85	1,556,776.04

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	80,055.83	15,139.76			(64,916.07)		(64,916.07)
Public Safety	58,106.11	395.96			(57,710.15)		(57,710.15)
Public Works	254,418.60		21,981.01	106,715.22	(125,722.37)		(125,722.37)
Health and Welfare	9,883.70				(9,883.70)		(9,883.70)
Culture and Recreation	62,964.65				(62,964.65)		(62,964.65)
Conservation and Development	3,558.00				(3,558.00)		(3,558.00)
Miscellaneous Expenses	3,245.13				(3,245.13)		(3,245.13)
Payments on Long-Term Debt	24,098.52				(24,098.52)		(24,098.52)
Total Governmental Activities	496,330.54	15,535.72	21,981.01	106,715.22	(352,098.59)	0.00	(352,098.59)
Business-type Activities:							
Water	292,694.52	216,378.62				(76,315.90)	(76,315.90)
Sewer	198,168.32	159,721.68				(38,446.64)	(38,446.64)
Total Business-Type Activities	490,862.84	376,100.30	0.00	0.00		(114,762.54)	(114,762.54)
Total Primary Government	987,193.38	391,636.02	21,981.01	106,715.22	(352,098.59)	(114,762.54)	(466,861.13)
General Revenues:							
Taxes:							
Property Taxes					225,135.19		225,135.19
Sales Taxes					194,230.76		194,230.76
State Shared Revenues					15,002.64		15,002.64
Grants and Contributions not Restricted to Specific Programs					575.63		575.63
Unrestricted Investment Earnings					1,315.31	1,767.30	3,082.61
Debt Issued						158,932.00	158,932.00
Miscellaneous Revenue					19,564.81		19,564.81
Total General Revenues					455,824.34	160,699.30	616,523.64
Change in Net Position					103,725.75	45,936.76	149,662.51
Net Position - Beginning					469,588.44	937,525.09	1,407,113.53
NET POSITION - ENDING					573,314.19	983,461.85	1,556,776.04

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

**MUNICIPALITY OF VALLEY SPRINGS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2022**

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	<u>573,314.19</u>
TOTAL ASSETS	<u><u>573,314.19</u></u>
FUND BALANCES:	
Unassigned	<u>573,314.19</u>
TOTAL FUND BALANCES	<u><u>573,314.19</u></u>

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund
Revenues:	
Taxes:	
General Property Taxes	223,997.11
General Sales and Use Taxes	194,230.76
Penalties & Interest on Delinquent Taxes	1,138.08
Total Taxes	419,365.95
Licenses and Permits	15,139.76
Intergovernmental Revenue:	
Federal Grants	66,745.82
State Shared Revenue:	
Bank Franchise Tax	8,801.25
Liquor Tax Reversion	6,201.39
Motor Vehicle Licenses	8,165.76
Local Government Highway and Bridge Fund	12,467.95
County Shared Revenue:	
County Wheel Tax	1,347.30
Total Intergovernmental Revenue	103,729.47
Charges for Goods and Services:	
General Government	110.00
Total Charges for Goods and Services	110.00
Fines and Forfeits:	
Court Fines and Costs	285.96
Total Charges for Goods and Services	285.96
Miscellaneous Revenue:	
Investment Earnings	1,315.31
Special Assessments	39,969.40
Contributions and Donations from Private Sources	575.63
Other	19,564.81
Total Miscellaneous Revenue	61,425.15
Total Revenue	600,056.29
Expenditures:	
General Government:	
Legislative	12,835.16
Elections	785.10
Financial Administration	51,704.93
Other	14,730.64
Total General Government	80,055.83

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund
Expenditures (continued):	
Public Safety:	
Police	42,270.80
Fire	11,875.69
Protective Inspections	1,325.00
Other Protection	2,634.62
Total Public Safety	58,106.11
Public Works:	
Highways and Streets	252,286.09
Sanitation	2,132.51
Total Public Works	254,418.60
Health and Welfare:	
Health	1,324.48
Humane Society	1,059.22
Ambulance	7,500.00
Total Health and Welfare	9,883.70
Culture and Recreation:	
Recreation	330.72
Parks	60,519.56
Museums	2,114.37
Total Culture and Recreation	62,964.65
Conservation and Development:	
Economic Development and Assistance	3,558.00
Total Conservation and Development	3,558.00
Debt Service	24,098.52
Miscellaneous:	
Other Expenditures	3,245.13
Total Miscellaneous	3,245.13
Total Expenditures	496,330.54
Net Change in Fund Balance	103,725.75
Fund Balance - Beginning	469,588.44
FUND BALANCE- ENDING	573,314.19

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2022

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	133,894.25	591,600.93	725,495.18
Investments	180,540.68	77,425.99	257,966.67
Total Current Assets	314,434.93	669,026.92	983,461.85
TOTAL ASSETS	314,434.93	669,026.92	983,461.85
NET POSITION:			
Restricted for Bond Debt Service	97,307.92	101,388.61	198,696.53
Unrestricted	217,127.01	567,638.31	784,765.32
TOTAL NET POSITION	314,434.93	669,026.92	983,461.85

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Surcharge as Security for Debt	84,922.09	91,409.58	176,331.67
Charges for Goods and Services	131,456.53	68,312.10	199,768.63
Total Operating Revenue	<u>216,378.62</u>	<u>159,721.68</u>	<u>376,100.30</u>
Operating Expenses:			
Personal Services	42,786.50	35,971.92	78,758.42
Other Current Expenses	86,082.63	31,672.03	117,754.66
Total Operating Expenses	<u>128,869.13</u>	<u>67,643.95</u>	<u>196,513.08</u>
Operating Income (Loss)	<u>87,509.49</u>	<u>92,077.73</u>	<u>179,587.22</u>
Non-operating Revenue (Expense)			
Capital Assets Purchased	(120,523.15)	(86,863.92)	(207,387.07)
Debt Received	75,334.00	83,598.00	158,932.00
Debt Service (Interest)	(43,302.24)	(43,660.45)	(86,962.69)
Interest Income	1,767.30		1,767.30
Total Non-operating Revenue (Expense)	<u>(86,724.09)</u>	<u>(46,926.37)</u>	<u>(133,650.46)</u>
Change in Net Position	<u>785.40</u>	<u>45,151.36</u>	<u>45,936.76</u>
Net Position - Beginning	<u>313,649.53</u>	<u>623,875.56</u>	<u>937,525.09</u>
NET POSITION - ENDING	<u><u>314,434.93</u></u>	<u><u>669,026.92</u></u>	<u><u>983,461.85</u></u>

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	436,098.31	564,087.87	1,000,186.18
Investments	33,490.13	373,437.22	406,927.35
TOTAL ASSETS	469,588.44	937,525.09	1,407,113.53
 NET POSITION:			
Restricted:			
Debt Service Purposes		198,696.53	198,696.53
Unrestricted	469,588.44	738,828.56	1,208,417.00
TOTAL NET POSITION	469,588.44	937,525.09	1,407,113.53

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	82,881.54				(82,881.54)	(82,881.54)
Public Safety	55,296.55	7,674.50			(47,622.05)	(47,622.05)
Public Works	165,424.31		21,986.62	164,083.79	20,646.10	20,646.10
Health and Welfare	5,279.96				(5,279.96)	(5,279.96)
Culture and Recreation	43,914.31				(43,914.31)	(43,914.31)
Conservation and Development	35,712.73				(35,712.73)	(35,712.73)
Miscellaneous Expenses	4,249.39				(4,249.39)	(4,249.39)
Payments on Long-Term Debt	24,098.52				(24,098.52)	(24,098.52)
Total Governmental Activities	416,857.31	7,674.50	21,986.62	164,083.79	(223,112.40)	(223,112.40)
Business-type Activities:						
Water	1,348,651.09	219,815.05			(1,128,836.04)	(1,128,836.04)
Sewer	1,694,172.76	156,916.85			(1,537,255.91)	(1,537,255.91)
Total Business-Type Activities	3,042,823.85	376,731.90	0.00	0.00	(2,666,091.95)	(2,666,091.95)
Total Primary Government	3,459,681.16	384,406.40	21,986.62	164,083.79	(223,112.40)	(2,889,204.35)
General Revenues:						
Taxes:						
Property Taxes					213,108.73	213,108.73
Sales Taxes					174,171.60	174,171.60
State Shared Revenue					15,047.68	15,047.68
Grants and Contributions not Restricted to Specific Programs					9,768.02	9,768.02
Unrestricted Investment Earnings					313.46	313.46
Debt Issued					2,830,780.00	2,830,780.00
Miscellaneous Revenue					28,889.73	28,889.73
Total General Revenues					441,299.22	3,274,555.58
Change in Net Position					218,186.82	385,351.23
Net Position - Beginning					251,401.62	1,021,762.30
NET POSITION - ENDING					469,588.44	1,407,113.53

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

**MUNICIPALITY OF VALLEY SPRINGS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2021**

	General Fund
ASSETS:	
Cash and Cash Equivalents	<u>436,098.31</u>
Investments	<u>33,490.13</u>
TOTAL ASSETS	<u><u>469,588.44</u></u>
FUND BALANCES:	
Unassigned	<u>469,588.44</u>
TOTAL FUND BALANCES	<u><u>469,588.44</u></u>

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund
Revenues:	
Taxes:	
General Property Taxes	212,678.74
General Sales and Use Taxes	174,171.60
Penalties & Interest on Delinquent Taxes	429.99
Total Taxes	387,280.33
Licenses and Permits	7,424.50
Intergovernmental Revenue:	
Federal Grants	109,047.42
State Grants	18,804.73
State Shared Revenue:	
Bank Franchise Tax	9,244.63
Liquor Tax Reversion	5,803.05
Motor Vehicle Licenses	8,251.32
Local Government Highway and Bridge Fund	12,368.85
County Shared Revenue:	
County Wheel Tax	1,366.45
Total Intergovernmental Revenue	164,886.45
Fines and Forfeits:	
Court Fines and Costs	250.00
Total Charges for Goods and Services	250.00
Miscellaneous Revenue:	
Investment Earnings	313.46
Special Assessments	36,231.64
Contributions and Donations from Private Sources	9,768.02
Other	6,355.15
Total Miscellaneous Revenue	52,668.27
Total Revenue	612,509.55
Expenditures:	
General Government:	
Legislative	31,895.74
Elections	731.31
Financial Administration	35,855.26
Other	14,399.23
Total General Government	82,881.54

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund
Expenditures (continued):	
Public Safety:	
Police	41,698.80
Fire	10,340.00
Protective Inspections	1,225.00
Other Protection	2,032.75
Total Public Safety	55,296.55
Public Works:	
Highways and Streets	158,779.15
Sanitation	6,645.16
Total Public Works	165,424.31
Health and Welfare:	
Health	35.00
Humane Society	244.96
Ambulance	5,000.00
Total Health and Welfare	5,279.96
Culture and Recreation:	
Recreation	372.33
Parks	43,354.65
Museums	187.33
Total Culture and Recreation	43,914.31
Conservation and Development:	
Economic Development and Assistance	35,712.73
Total Conservation and Development	35,712.73
Debt Service	24,098.52
Miscellaneous:	
Other Expenditures	4,249.39
Total Miscellaneous	4,249.39
Total Expenditures	416,857.31
Excess Revenue Over (Under) Expenditures	195,652.24
Other Financing Sources (Uses):	
Sale of Municipal Property	22,534.58
Total Other Financing Sources (Uses)	22,534.58
Net Change in Fund Balance	218,186.82
Fund Balance - Beginning	251,401.62
FUND BALANCE- ENDING	469,588.44

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	134,275.96	429,811.91	564,087.87
Investments	179,373.57	194,063.65	373,437.22
Total Current Assets	313,649.53	623,875.56	937,525.09
 TOTAL ASSETS	 313,649.53	 623,875.56	 937,525.09
 NET POSITION:			
Restricted for Bond Debt Service	97,307.92	101,388.61	198,696.53
Unrestricted	216,341.61	522,486.95	738,828.56
 TOTAL NET POSITION	 313,649.53	 623,875.56	 937,525.09

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

MUNICIPALITY OF VALLEY SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Surcharge as Security for Debt	83,358.50	87,534.46	170,892.96
Charges for Goods and Services	136,456.55	69,382.39	205,838.94
Total Operating Revenue	219,815.05	156,916.85	376,731.90
Operating Expenses:			
Personal Services	65,260.06	32,639.54	97,899.60
Other Current Expenses	85,512.81	20,270.47	105,783.28
Total Operating Expenses	150,772.87	52,910.01	203,682.88
Operating Income (Loss)	69,042.18	104,006.84	173,049.02
Non-operating Revenue (Expense)			
Investment Earnings	1,189.47	1,286.89	2,476.36
Capital Assets Purchased	(1,197,878.22)	(1,641,262.75)	(2,839,140.97)
Long-Term Debt Issued	1,177,474.00	1,653,306.00	2,830,780.00
Total Non-operating Revenue (Expense)	(19,214.75)	13,330.14	(5,884.61)
Change in Net Position	49,827.43	117,336.98	167,164.41
Net Position - Beginning	263,822.10	506,538.58	770,360.68
NET POSITION - ENDING	313,649.53	623,875.56	937,525.09

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

Proprietary Funds:

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

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

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

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Government-wide Financial Statements:

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type, are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Municipality and the related depreciation are not reported on the financial statements of the Municipality. Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds.

As discussed in Note 1c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term liabilities arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term liabilities as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Liabilities along with related notes that include details of any outstanding Long-Term Liabilities.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

i. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand.

j. Equity Classifications:

Government-wide 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 creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

	<u>Year Ended</u> <u>12/31/2022</u>	<u>Year Ended</u> <u>12/31/2021</u>
General Fund:		
<u>Activity</u>		
Legislative		\$ 18,865.74
Elections		130.31
Highways and Streets	\$ 6,993.09	
Sanitation		330.16
Humane Society	559.22	
Ambulance	2,500.00	
Parks	21,714.56	17,664.65
Economic Development & Assistance		7,662.73
Other Expenditures	3,245.13	4,249.39

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

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Investments – In general, SDCL 4-5-6 permits Municipality funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2022 and 2021, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk.

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

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

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

4. PROPERTY TAXES

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

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

5. PENSION PLAN

Plan Information:

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

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

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

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020, were \$6,208.82, \$5,280.67, and \$5,376.62, respectively, equal to the required contributions each year.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Pension Liabilities (Assets):

At June 30, 2022, SDRS is 100.01% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 544,195.67
Less proportionate share of net pension restricted for pension benefits	\$ 544,559.99
Proportionate share of net pension liability (asset)	\$ (364.32)

The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.00385500%, which is an increase (decrease) of (0.0004840%) from its proportion measured as of June 30, 2021.

At June 30, 2021, SDRS is 105.53% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 601,661.80
Less proportionate share of net pension restricted for pension benefits	\$ 634,891.12
Proportionate share of net pension liability (asset)	\$ (33,229.32)

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.00433900%, which is an increase (decrease) of 0.0001837% from its proportion measured as of June 30, 2020.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

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

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

At December 31, 2022, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 75,648.05	\$ (364.32)	\$ (62,486.51)

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

At December 31, 2021, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 53,806.53	\$ (33,229.31)	\$ (103,882.16)

Pension Plan Fiduciary Net Position:

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

6. SIGNIFICANT CONTINGENCIES – LITIGATION

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

7. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, vehicle coverage, property and building coverage, errors and omissions of officials and employee coverage.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of the contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

8. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through June 26, 2024, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF VALLEY SPRINGS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	229,194.00	229,194.00	223,997.11	(5,196.89)
General Sales and Use Taxes	160,000.00	160,000.00	194,230.76	34,230.76
Amusement Taxes	132.00	132.00	0.00	(132.00)
Penalties and Interest on Delinquent Taxes	100.00	100.00	1,138.08	1,038.08
Total Taxes	389,426.00	389,426.00	419,365.95	29,939.95
Licenses and Permits	12,050.00	12,050.00	15,139.76	3,089.76
Intergovernmental Revenues:				
Federal Grants	0.00	0.00	66,745.82	66,745.82
State Grants	600.00	600.00	0.00	(600.00)
State Shared Revenues:				
Bank Franchise Tax	9,500.00	9,500.00	8,801.25	(698.75)
Liquor Tax Reversion	5,000.00	5,000.00	6,201.39	1,201.39
Motor Vehicle Licenses	8,200.00	8,200.00	8,165.76	(34.24)
Local Government Highway and Bridge Fund	12,000.00	12,000.00	12,467.95	467.95
County Shared Revenues:				
County Wheel Tax	1,250.00	1,250.00	1,347.30	97.30
Total Intergovernmental Revenues	36,550.00	36,550.00	103,729.47	67,179.47
Charges for Goods and Services:				
General Government	50.00	50.00	110.00	60.00
Highways and Streets	300.00	300.00	0.00	(300.00)
Total Charges for Goods and Services	350.00	350.00	110.00	(240.00)
Fines and Forfeits:				
Court Fines and Costs	250.00	250.00	285.96	35.96
Total Fines and Forfeits	250.00	250.00	285.96	35.96
Miscellaneous Revenues:				
Investment Earnings	100.00	100.00	1,315.31	1,215.31
Special Assessments	50,000.00	50,000.00	39,969.40	(10,030.60)
Contributions and Donations from Private Sources	5,000.00	5,000.00	575.63	(4,424.37)
Other	1,100.00	1,100.00	19,564.81	18,464.81
Total Miscellaneous Revenue	56,200.00	56,200.00	61,425.15	5,225.15
Total Revenue	494,826.00	494,826.00	600,056.29	105,230.29
Expenditures:				
General Government:				
Legislative	14,020.00	14,335.00	12,835.16	1,499.84
Contingency	24,500.00	24,500.00		
Amount Transferred		0.00		24,500.00
Elections	1,004.00	1,004.00	785.10	218.90
Financial Administration	43,050.00	53,050.00	51,704.93	1,345.07
Other	16,089.00	17,089.00	14,730.64	2,358.36
Total General Government	98,663.00	109,978.00	80,055.83	29,922.17

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF VALLEY SPRINGS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued):				
Public Safety:				
Police	42,271.00	42,271.00	42,270.80	0.20
Fire	11,700.00	12,980.00	11,875.69	1,104.31
Protective Inspection	4,000.00	4,000.00	1,325.00	2,675.00
Other Protection	2,900.00	2,900.00	2,634.62	265.38
Total Public Safety	60,871.00	62,151.00	58,106.11	4,044.89
Public Works:				
Highways and Streets	234,618.00	245,293.00	252,286.09	(6,993.09)
Sanitation	6,315.00	6,315.00	2,132.51	4,182.49
Total Public Works	240,933.00	251,608.00	254,418.60	(2,810.60)
Health and Welfare:				
Health	1,880.00	2,980.00	1,324.48	1,655.52
Humane Society	500.00	500.00	1,059.22	(559.22)
Ambulance	5,000.00	5,000.00	7,500.00	(2,500.00)
Total Health and Welfare	7,380.00	8,480.00	9,883.70	(1,403.70)
Culture and Recreation:				
Recreation	1,775.00	1,905.00	330.72	1,574.28
Parks	38,805.00	38,805.00	60,519.56	(21,714.56)
Museums	2,600.00	2,600.00	2,114.37	485.63
Total Culture and Recreation	43,180.00	43,310.00	62,964.65	(19,654.65)
Conservation and Development:				
Economic Development and Assistance	3,700.00	3,700.00	3,558.00	142.00
Total Conservation and Development	3,700.00	3,700.00	3,558.00	142.00
Debt Service	40,099.00	40,099.00	24,098.52	16,000.48
Miscellaneous:				
Other Expenditures	0.00	0.00	3,245.13	(3,245.13)
Total Miscellaneous	0.00	0.00	3,245.13	(3,245.13)
Total Expenditures	494,826.00	519,326.00	496,330.54	22,995.46
Net Change in Fund Balances	0.00	(24,500.00)	103,725.75	128,225.75
Fund Balance - Beginning	469,588.44	469,588.44	469,588.44	0.00
FUND BALANCE - ENDING	469,588.44	445,088.44	573,314.19	128,225.75

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF VALLEY SPRINGS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	217,160.00	217,160.00	212,678.74	(4,481.26)
General Sales and Use Taxes	130,000.00	130,000.00	174,171.60	44,171.60
Amusement Taxes	132.00	132.00	0.00	(132.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	429.99	(70.01)
Total Taxes	347,792.00	347,792.00	387,280.33	39,488.33
Licenses and Permits	6,375.00	6,375.00	7,424.50	1,049.50
Intergovernmental Revenues:				
Federal Grants	0.00	17,769.80	109,047.42	91,277.62
State Grants	600.00	600.00	18,804.73	18,204.73
State Shared Revenues:				
Bank Franchise Tax	7,500.00	7,500.00	9,244.63	1,744.63
Liquor Tax Reversion	4,400.00	4,400.00	5,803.05	1,403.05
Motor Vehicle Licenses	5,000.00	5,000.00	8,251.32	3,251.32
Local Government Highway and Bridge Fund	9,000.00	9,000.00	12,368.85	3,368.85
Other	1,200.00	1,200.00	0.00	(1,200.00)
County Shared Revenues:				
County Wheel Tax	1,250.00	1,250.00	1,366.45	116.45
Total Intergovernmental Revenues	28,950.00	46,719.80	164,886.45	118,166.65
Charges for Goods and Services:				
General Government	50.00	50.00	0.00	(50.00)
Sanitation	300.00	300.00	0.00	(300.00)
Total Charges for Goods and Services	350.00	350.00	0.00	(350.00)
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	250.00	150.00
Total Fines and Forfeits	100.00	100.00	250.00	150.00
Miscellaneous Revenues:				
Investment Earnings	100.00	100.00	313.46	213.46
Special Assessments	30,000.00	30,000.00	36,231.64	6,231.64
Contributions and Donations from Private Sources	4,000.00	4,000.00	9,768.02	5,768.02
Other	4,100.00	4,100.00	6,355.15	2,255.15
Total Miscellaneous Revenue	38,200.00	38,200.00	52,668.27	14,468.27
Total Revenue	421,767.00	439,536.80	612,509.55	172,972.75
Expenditures:				
General Government:				
Legislative	10,530.00	13,030.00	31,895.74	(18,865.74)
Contingency	20,000.00	20,000.00		
Amount Transferred		0.00		20,000.00
Elections	601.00	601.00	731.31	(130.31)
Financial Administration	51,645.00	51,645.00	35,855.26	15,789.74
Other	15,003.00	15,003.00	14,399.23	603.77
Total General Government	97,779.00	100,279.00	82,881.54	17,397.46

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF VALLEY SPRINGS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued):				
Public Safety:				
Police	41,699.00	41,699.00	41,698.80	0.20
Fire	11,100.00	11,100.00	10,340.00	760.00
Protective Inspection	2,200.00	2,200.00	1,225.00	975.00
Other Protection	3,800.00	3,800.00	2,032.75	1,767.25
Total Public Safety	58,799.00	58,799.00	55,296.55	3,502.45
Public Works:				
Highways and Streets	171,401.00	171,401.00	158,779.15	12,621.85
Sanitation	6,315.00	6,315.00	6,645.16	(330.16)
Total Public Works	177,716.00	177,716.00	165,424.31	12,291.69
Health and Welfare:				
Health	2,380.00	2,380.00	35.00	2,345.00
Humane Society	500.00	500.00	244.96	255.04
Ambulance	5,000.00	22,769.80	5,000.00	17,769.80
Total Health and Welfare	7,880.00	25,649.80	5,279.96	20,369.84
Culture and Recreation:				
Recreation	1,054.00	1,054.00	372.33	681.67
Parks	25,690.00	25,690.00	43,354.65	(17,664.65)
Museums	700.00	700.00	187.33	512.67
Total Culture and Recreation	27,444.00	27,444.00	43,914.31	(16,470.31)
Conservation and Development:				
Economic Development and Assistance	28,050.00	28,050.00	35,712.73	(7,662.73)
Total Conservation and Development	28,050.00	28,050.00	35,712.73	(7,662.73)
Debt Service	24,099.00	24,099.00	24,098.52	0.48
Miscellaneous:				
Other Expenditures	0.00	0.00	4,249.39	(4,249.39)
Total Miscellaneous	0.00	0.00	4,249.39	(4,249.39)
Total Expenditures	421,767.00	442,036.80	416,857.31	25,179.49
Excess of Revenues Over (Under) Expenditures	0.00	(2,500.00)	195,652.24	198,152.24
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	22,534.58	22,534.58
Total Other Financing Sources (Uses)	0.00	0.00	22,534.58	22,534.58
Net Change in Fund Balances	0.00	(2,500.00)	218,186.82	220,686.82
Fund Balance - Beginning	251,401.62	251,401.62	251,401.62	0.00
FUND BALANCE - ENDING	251,401.62	248,901.62	469,588.44	220,686.82

NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund

NOTE 1. Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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

The Municipality did not encumber any amounts at December 31, 2022 and 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. The budget for the General Fund is adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP), within the limitations of the modified cash basis of accounting.

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

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

South Dakota Retirement System

*Last 8 Years

	<u>Municipality's proportion of the net pension liability/asset</u>	<u>Municipality's proportionate share of net pension liability (asset)</u>	<u>Municipality's covered-employee payroll</u>	<u>Municipality's proportionate share of the net pension liability (asset) as a percentage of its</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2022	0.0038550%	\$ (364)	\$ 88,936	0.41%	100.10%
2021	0.0043390%	\$ (33,229)	\$ 89,987	36.93%	105.52%
2020	0.0041553%	\$ (180)	\$ 86,339	0.21%	100.04%
2019	0.0043864%	\$ (465)	\$ 95,619	0.49%	100.09%
2018	0.0046747%	\$ (109)	\$ 97,274	0.11%	100.02%
2017	0.0046543%	\$ (422)	\$ 94,565	0.45%	100.10%
2016	0.0049342%	\$ 16,667	\$ 93,817	17.77%	96.89%
2015	0.0049058%	\$ (20,807)	\$ 88,811	23.43%	104.10%

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

*Last 8 Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 6,209	\$ 6,209	\$ -	\$ 103,232	6.01%
2021	\$ 5,281	\$ 5,281	\$ -	\$ 88,010	6.00%
2020	\$ 5,377	\$ 5,377	\$ -	\$ 88,071	6.10%
2019	\$ 5,414	\$ 5,414	\$ -	\$ 90,234	6.00%
2018	\$ 5,963	\$ 5,963	\$ -	\$ 99,381	6.00%
2017	\$ 5,751	\$ 5,751	\$ -	\$ 95,933	5.99%
2016	\$ 5,666	\$ 5,666	\$ -	\$ 94,430	6.00%
2015	\$ 5,443	\$ 5,443	\$ -	\$ 90,718	6.00%

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

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

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 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, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 valuation.

The changes to economic assumptions included increasing the price inflation to 2.5% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.5% 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 changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of 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%.

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

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

As of June 30, 2022 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.1%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes

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

SUPPLEMENTAL INFORMATION

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/21	Additions	Deletions	Ending Balance 12/31/2022	Due Within One Year
Primary Government:					
Governmental Activities:					
Sales Tax Revenue					
Borrower Bond Series 2004	115,881.01		41,840.16	74,040.85	21,958.00
Total Debt	<u>115,881.01</u>	<u>0.00</u>	<u>41,840.16</u>	<u>74,040.85</u>	<u>21,958.00</u>
Accrued Compensated Absences- Governmental Funds	<u>3,550.81</u>		<u>3,550.81</u>	<u>0.00</u>	<u>0.00</u>
Total Governmental Activities	<u>119,431.82</u>	<u>0.00</u>	<u>45,390.97</u>	<u>74,040.85</u>	<u>21,958.00</u>
Business-Type Activities:					
Bonds Payable:					
Clean Water SRF Revenue Borrower Series 2020	27,915.00	1,736,904.00		1,764,819.00	42,543.52
Drinking Water SRF Revenue Borrower Series 2020	<u>341,716.00</u>	<u>1,252,758.00</u>		<u>1,594,474.00</u>	<u>38,437.09</u>
Total Debt	<u>369,631.00</u>	<u>2,989,662.00</u>	<u>0.00</u>	<u>3,359,293.00</u>	<u>80,980.61</u>
Accrued Compensated Absences- Business-Type Funds	<u>1,521.77</u>		<u>1,521.77</u>	<u>0.00</u>	<u>0.00</u>
Total Business-Type Activities	<u>371,152.77</u>	<u>2,989,662.00</u>	<u>1,521.77</u>	<u>3,359,293.00</u>	<u>80,980.61</u>
TOTAL PRIMARY GOVERNMENT	<u><u>490,584.59</u></u>	<u><u>2,989,662.00</u></u>	<u><u>46,912.74</u></u>	<u><u>3,433,333.85</u></u>	<u><u>102,938.61</u></u>

Long-term liabilities at December 31, 2022 are comprised of the following:

GOVERNMENTAL ACTIVITIES:

Sales Tax Revenue Bond:

Dated December 17, 2004, 3.25% Interest Rate,
Final Maturity January 1, 2026,
Retired by the General Fund

\$ 74,040.85

BUSINESS-TYPE ACTIVITIES:

Clean Water SRF Borrower Series 2020:

Series 1998 for Sewer, 2.125% Interest,
Final Maturity October 15, 2052,
Payable from Sewer Fund

\$1,764,819.00

SUPPLEMENTAL INFORMATION

Drinking Water SRF Revenue Borrower Series 2020:

Drinking Water for Water Meters, 2.125% Interest,
 Final Maturity October 15, 2052,
 Payable from Water Fund \$1,594,474.00

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences but including interest payments of \$1,196,680.89, are as follows:

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

Year Ending December 31,	Sales Tax Revenue Borrower Bond - Series 2004		Clean Water SRF Revenue Borrower Series 2020	
	Principal	Interest	Principal	Interest
2023	21,958.00	2,140.52	38,437.09	33,577.63
2024	22,680.38	1,418.14	39,260.41	32,754.31
2025	23,426.53	671.99	40,101.36	31,913.36
2026	5,975.94	48.69	40,960.33	31,054.39
2027			41,837.71	30,177.01
2028-2032			223,021.06	137,052.54
2033-2037			247,951.97	112,121.63
2038-2042			275,669.81	84,403.79
2043-2047			306,486.14	53,587.46
2048-2052			340,748.12	19,326.25
Totals	<u>74,040.85</u>	<u>4,279.34</u>	<u>1,594,474.00</u>	<u>565,968.37</u>

Year Ending December 31,	Drinking Water SRF Revenue Borrower Series 2020		Totals	
	Principal	Interest	Principal	Interest
2023	42,543.52	37,164.88	102,938.61	72,883.03
2024	43,454.80	36,253.60	105,395.59	70,426.05
2025	44,385.60	35,322.80	107,913.49	67,908.15
2026	45,336.33	34,372.07	92,272.60	65,475.15
2027	46,307.44	33,400.96	88,145.15	63,577.97
2028-2032	246,847.51	151,694.49	469,868.57	288,747.03
2033-2037	274,441.94	124,100.06	522,393.91	236,221.69
2038-2042	305,120.96	93,421.04	580,790.77	177,824.83
2043-2047	339,229.60	59,312.40	645,715.74	112,899.86
2048-2052	377,151.30	21,390.88	717,899.42	40,717.13
Totals	<u>1,764,819.00</u>	<u>626,433.18</u>	<u>3,433,333.85</u>	<u>1,196,680.89</u>

MUNICIPALITY OF VALLEY SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures 2021	Federal Expenditures 2022	Total Federal Expenditures
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019	43,775.70		43,775.70
US Department of Treasury - Direct Programs: Coronavirus State and Local Fiscal Recovery Funds	21.027	65,271.72	66,745.82	132,017.54
Total US Department of Treasury		109,047.42	66,745.82	175,793.24
US Environmental Protection Agency - Pass-Through Programs: SD Department of Environment and Natural Resources, Drinking Water State Revolving Fund (Note 3)	66.468	1,177,424.00	75,334.00	1,252,758.00
Total US Environmental Protection Agency		1,177,424.00	75,334.00	1,252,758.00
GRAND TOTAL		\$1,286,471.42	\$142,079.82	\$1,428,551.24

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the biennial period ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.