

**MUNICIPALITY OF VIBORG  
VIBORG, SOUTH DAKOTA**

**AUDIT REPORT**

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

*Schoenfish & Co., Inc.*

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

MUNICIPALITY OF VIBORG

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2022

MAYOR:

Steven Bendt

GOVERNING BOARD:

Shelley DeJong, President  
Neal Hanson, Vice-President  
Darren Duncan  
Jordon Knudsen  
Craig Rothschild  
Jared Voog

FINANCE OFFICER:

Lisa Rudd

ATTORNEY:

Gary Ward

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TABLE OF CONTENTS

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 <i>Government Auditing Standards</i> .....	1-2
Schedule of Prior Audit Findings.....	3
Schedule of Current Audit Findings.....	4-5
Independent Auditor's Report .....	6-8
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes In Fund Balances.....	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	15
Proprietary Funds:	
Statement of Net Position.....	16
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	17
Statement of Cash Flows.....	18
Notes to the Financial Statements.....	19-39
Required Supplementary Information Other than MD&A:	
Budgetary Comparison Schedules – Budgetary Basis – General Fund.....	40-41
Budgetary Comparison Schedules – Budgetary Basis – Gross Receipts Fund.....	42
Notes to the Required Supplementary Information – Budgetary Comparison Schedules.....	43
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset).....	44
Schedule of the Municipality Contributions - South Dakota Retirement System.....	45
Notes to the Required Supplementary Information – Pension Schedules.....	46-47

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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 Viborg  
Viborg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Viborg, South Dakota (Municipality), as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 31, 2023.

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 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, 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2022-002.

#### Municipality's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response 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. The Municipality's responses were not subjected to the 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  
October 31, 2023

*Schoenfish & Co., Inc.*

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

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

Finding Number 2021-002:

Expenditures were in excess of the amounts budgeted in several departments in the General Fund in 2021. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT 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 existed for the revenues. This has been a continuing audit comment since 2002.

Criteria:

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

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

Cause of Condition:

The Finance Officer and Deputy Finance Officer process all revenue transactions from beginning to end. They also 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:

We recommend that the Municipality of Viborg officials be cognizant of this lack of segregation of duties for revenues and attempt to 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.

Client Response:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Compliance – Related Finding:

Finding Number 2022-002:

Condition:

The Municipality of Viborg purchased a fire truck without advertising for competitive bids as required by SDCL5-18A-14.

Criteria:

SDCL 5-18A-14 states in part “a contract for the purchase of supplies or services, other than professional services, that involves the expenditures of fifty thousand dollars or more, the purchasing agency shall advertise for bids or proposals.”

Cause of Condition:

We examined instances which required bidding and found that the above mentioned instance was improper. The Municipality entered into a contract with Martin Coleman Sales for \$96,500.00 without evidence of receiving competitive bids.

Potential Effect of Condition:

The lack of bidding in this instance may have caused the entity to pay more for the equipment than it would have had competitive bids been obtained.

Recommendation:

We recommend that all expenditures for equipment over \$50,000 be bid as required by law.

Client Response:

The Municipality of Viborg Mayor, John Edelman, is the contact person responsible for the corrective action plan for this comment. We will monitor all anticipated expenditures which may exceed the bid limit. We will advertise for bids if it is probable that the expenditure may exceed the bid limit.

CLOSING CONFERENCE

The audit was discussed with the mayor, one councilman, the finance officer, and the assistant finance officer on November 14, 2023.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Viborg  
Viborg, South Dakota

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Viborg, South Dakota, as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Municipality of Viborg as of December 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Funding Progress, the Schedule of Municipality Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

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management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### Other 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 October 31, 2023 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 31, 2023

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,153,111.48	585,236.01	1,738,347.49
Accounts Receivable, Net	233,903.85	31,376.89	265,280.74
Inventories		11,314.00	11,314.00
Net Pension Asset	604.56	285.41	889.97
Capital Assets:			
Land	19,629.74	21,489.76	41,119.50
Other Capital Assets, Net of Depreciation	2,389,502.63	4,753,058.93	7,142,561.56
<b>TOTAL ASSETS</b>	<b>3,796,752.26</b>	<b>5,402,761.00</b>	<b>9,199,513.26</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	54,084.54	25,533.51	79,618.05
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>54,084.54</b>	<b>25,533.51</b>	<b>79,618.05</b>
<b>LIABILITIES :</b>			
Accounts Payable	7,456.74	6,151.28	13,608.02
Other Current Liabilities	4,217.00	6,950.00	11,167.00
Noncurrent Liabilities:			
Due Within One Year	28,991.79	74,743.36	103,735.15
Due in More than One Year	54,796.21	1,905,555.11	1,960,351.32
<b>TOTAL LIABILITIES</b>	<b>95,461.74</b>	<b>1,993,399.75</b>	<b>2,088,861.49</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	35,515.31	16,766.91	52,282.22
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>35,515.31</b>	<b>16,766.91</b>	<b>52,282.22</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,338,245.83	2,804,766.78	5,143,012.61
Restricted for:			
Debt Service Purposes		43,048.80	43,048.80
City Promotion Purposes	14,549.26		14,549.26
SDRS Pension Purposes	19,173.79	9,052.01	28,225.80
Unrestricted (Deficit)	1,347,890.87	561,260.26	1,909,151.13
<b>TOTAL NET POSITION</b>	<b>3,719,859.75</b>	<b>3,418,127.85</b>	<b>7,137,987.60</b>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	152,255.92	2,578.50	71,128.83		(78,548.59)		(78,548.59)
Public Safety	132,662.01	1,800.00		21,716.20	(109,145.81)		(109,145.81)
Public Works	208,252.85	300.00	27,738.28	26,653.39	(153,561.18)		(153,561.18)
Health and Welfare	1,300.00		2,608.00		1,308.00		1,308.00
Culture and Recreation	156,451.38	5,210.00	15,840.92	60,932.33	(74,468.13)		(74,468.13)
Conservation and Development	75,984.03	7,195.00			(68,789.03)		(68,789.03)
Miscellaneous	600.00	18,678.78			18,078.78		18,078.78
*Interest on Long-term Debt	3,151.34				(3,151.34)		(3,151.34)
Total Governmental Activities	730,657.53	35,762.28	117,316.03	109,301.92	(468,277.30)		(468,277.30)
Business-type Activities:							
Water	245,391.32	197,047.05				(48,344.27)	(48,344.27)
Sewer	139,854.11	147,853.53		41,975.16		49,974.58	49,974.58
Total Business-type Activities	385,245.43	344,900.58	0.00	41,975.16		1,630.31	1,630.31
Total Primary Government	1,115,902.96	380,662.86	117,316.03	151,277.08	(468,277.30)	1,630.31	(466,646.99)
<b>General Revenues:</b>							
Taxes:							
* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes				238,213.19		238,213.19
	Sales Taxes				373,863.73		373,863.73
	State Shared Revenues				9,779.27		9,779.27
	Grants and Contributions not Restricted to Specific Programs				986.00		986.00
	Unrestricted Investment Earnings				6,702.38	2,478.96	9,181.34
	Miscellaneous Revenue				23,906.13		23,906.13
	Total General Revenues				653,450.70	2,478.96	655,929.66
	Change in Net Position				185,173.40	4,109.27	189,282.67
	Net Position - Beginning				3,534,686.35	3,414,018.58	6,948,704.93
	NET POSITION - ENDING				3,719,859.75	3,418,127.85	7,137,987.60

\* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

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

	<b>General Fund</b>	<b>Gross Receipts Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,138,169.78	14,941.70	1,153,111.48
Taxes Receivable--Delinquent	4,488.16		4,488.16
Accounts Receivable, Net	1,379.32		1,379.32
Note Receivable	160,800.00		160,800.00
Special Assessments Receivable--Delinquent	6,823.74		6,823.74
Due from Other Government	60,325.71	86.92	60,412.63
<b>TOTAL ASSETS</b>	<b>1,371,986.71</b>	<b>15,028.62</b>	<b>1,387,015.33</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	6,977.38	479.36	7,456.74
Accrued Taxes Payable	4,217.00		4,217.00
<b>Total Liabilities</b>	<b>11,194.38</b>	<b>479.36</b>	<b>11,673.74</b>
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	4,488.16		4,488.16
Unavailable Revenue--Special Assessments	6,823.74		6,823.74
<b>Total Deferred Inflows of Resources</b>	<b>11,311.90</b>	<b>0.00</b>	<b>11,311.90</b>
Fund Balances:			
Nonspendable for Note Receivable	160,800.00		160,800.00
Restricted for Special Facilities/City Promotion		14,549.26	14,549.26
Assigned for Capital Outlay Accumulations	177,480.73		177,480.73
Unassigned	1,011,199.70		1,011,199.70
<b>Total Fund Balances</b>	<b>1,349,480.43</b>	<b>14,549.26</b>	<b>1,364,029.69</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,371,986.71</b>	<b>15,028.62</b>	<b>1,387,015.33</b>

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

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

Total Fund Balances - Governmental Funds	<u>1,364,029.69</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>604.56</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,409,132.37</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>54,084.54</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(83,788.00)</u>
Assets, such as taxes receivable (delinquent) and special assessments receivables (current, delinquent, and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>11,311.90</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(35,515.31)</u>
Net Position - Governmental Activities	<u><u>3,719,859.75</u></u>

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

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

	General Fund	Gross Receipts Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
General Property Taxes	236,688.41		236,688.41
General Sales and Use Taxes	364,173.52		364,173.52
Gross Receipts Business Taxes		9,690.21	9,690.21
Penalties and Interest on Delinquent Taxes	271.58		271.58
Licenses and Permits	2,578.50		2,578.50
Intergovernmental Revenue:			
Federal Grants	70,128.83		70,128.83
State Grants	9,520.44		9,520.44
State Shared Revenue:			
Bank Franchise Tax	4,075.40		4,075.40
Liquor Tax Reversion	5,703.87		5,703.87
Motor Vehicle Licenses	9,060.76		9,060.76
Local Government Highway and Bridge Fund	12,429.67		12,429.67
County Shared Revenue:			
County Road Tax	528.68		528.68
County Wheel Tax	2,745.71		2,745.71
Other	2,973.46		2,973.46
Charges for Goods and Services:			
Sanitation	300.00		300.00
Culture and Recreation	5,210.00		5,210.00
Fines and Forfeits:			
Court Fines and Costs	1,800.00		1,800.00
Other	2,405.00		2,405.00
Miscellaneous Revenue:			
Investment Earnings	6,610.56	91.82	6,702.38
Rentals	7,195.00		7,195.00
Special Assessments	26,487.37		26,487.37
Contributions and Donations from Private Sources	87,031.90		87,031.90
Liquor Operating Agreement Income	16,273.78		16,273.78
Other	10,666.94		10,666.94
<b>Total Revenue</b>	<b>884,859.38</b>	<b>9,782.03</b>	<b>894,641.41</b>
<b>Expenditures:</b>			
General Government:			
Legislative	23,550.28		23,550.28
Executive	6,220.00		6,220.00
Financial Administration	54,178.60		54,178.60
Other	69,942.81		69,942.81
<b>Total General Government</b>	<b>153,891.69</b>	<b>0.00</b>	<b>153,891.69</b>

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



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

	General Fund	Gross Receipts Fund	Total Governmental Funds
<b>Expenditures (cont.):</b>			
Public Safety:			
Police	64,162.03		64,162.03
Fire	14,209.00		14,209.00
Total Public Safety	78,371.03	0.00	78,371.03
Public Works:			
Highways and Streets	128,287.65		128,287.65
Sanitation	7,721.37		7,721.37
Total Public Works	136,009.02	0.00	136,009.02
Health and Welfare:			
Other	1,300.00		1,300.00
Total Health and Welfare	1,300.00	0.00	1,300.00
Culture and Recreation:			
Recreation	14,598.18		14,598.18
Parks	11,470.77		11,470.77
Libraries	57,281.30		57,281.30
Auditorium	16,818.03	8,406.41	25,224.44
Total Culture and Recreation	100,168.28	8,406.41	108,574.69
Conservation and Development:			
Economic Development & Assistance (Industrial Development)	75,280.45		75,280.45
Total Conservation and Development	75,280.45	0.00	75,280.45
Debt Service	22,756.16	0.00	22,756.16
Capital Outlay	159,420.83	0.00	159,420.83
Miscellaneous:			
Liquor Operating Agreements	600.00		600.00
Total Miscellaneous	600.00	0.00	600.00
Total Expenditures	727,797.46	8,406.41	736,203.87
Excess of Revenue Over (Under) Expenditures	157,061.92	1,375.62	158,437.54
<b>Other Financing Sources:</b>			
Compensation for Loss or Damage to Capital Assets	13,239.19		13,239.19
Long-Term Debt Issued	70,100.00		70,100.00
Total Other Financing Sources	83,339.19	0.00	83,339.19
Net Change in Fund Balances	240,401.11	1,375.62	241,776.73
Fund Balance - Beginning	1,109,079.32	13,173.64	1,122,252.96
FUND BALANCE - ENDING	1,349,480.43	14,549.26	1,364,029.69

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

**MUNICIPALITY OF VIBORG**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**

Net Change in Fund Balances - Total Governmental Funds	<u>241,776.73</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>159,420.83</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(176,691.06)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>3.98</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>6,310.93</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>19,821.02</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(70,100.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,253.20</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>166.02</u>
Governmental funds recognize expenditures for amounts with current financial resources during the fiscal year. Amounts of compensated absences earned by the employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>1,914.36</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>(503.26)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>1,800.65</u>
Change in Net Position of Governmental Activities	<u><u>185,173.40</u></u>

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

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

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	142,489.64	442,746.37	585,236.01
Accounts Receivable, Net	17,765.06	13,611.83	31,376.89
Inventory of Supplies	9,522.00	1,792.00	11,314.00
Total Current Assets	169,776.70	458,150.20	627,926.90
Noncurrent Assets:			
Net Pension Asset	142.75	142.66	285.41
Capital Assets:			
Land	9,100.00	12,389.76	21,489.76
Buildings	166,312.00		166,312.00
Improvements Other Than Buildings	3,577,809.28	2,711,126.50	6,288,935.78
Machinery and Equipment	61,417.62	85,727.59	147,145.21
Less: Accumulated Depreciation	(1,230,296.03)	(619,038.03)	(1,849,334.06)
Total Noncurrent Assets	2,584,485.62	2,190,348.48	4,774,834.10
<b>TOTAL ASSETS</b>	<b>2,754,262.32</b>	<b>2,648,498.68</b>	<b>5,402,761.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	12,770.74	12,762.77	25,533.51
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,770.74</b>	<b>12,762.77</b>	<b>25,533.51</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	5,750.02	401.26	6,151.28
Notes Payable - Current	9,984.98	3,448.89	13,433.87
Customer Deposits	6,950.00		6,950.00
Bonds Payable Current:			
Revenue	25,996.38	26,813.11	52,809.49
Compensated Absences Payable -- Current	4,250.00	4,250.00	8,500.00
Total Current Liabilities	52,931.38	34,913.26	87,844.64
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	541,160.86	1,170,694.83	1,711,855.69
Accrued Leave Payable	1,008.28	1,008.28	2,016.56
Other Long-Term Liabilities	188,145.81	3,537.05	191,682.86
Total Noncurrent Liabilities	730,314.95	1,175,240.16	1,905,555.11
<b>TOTAL LIABILITIES</b>	<b>783,246.33</b>	<b>1,210,153.42</b>	<b>1,993,399.75</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	8,386.07	8,380.84	16,766.91
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,386.07</b>	<b>8,380.84</b>	<b>16,766.91</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,819,054.84	985,711.94	2,804,766.78
Restricted For:			
Revenue Bond Debt Service	43,048.80		43,048.80
SDRS Pension Purposes	4,527.42	4,524.59	9,052.01
Unrestricted Net Position	108,769.60	452,490.66	561,260.26
<b>TOTAL NET POSITION</b>	<b>1,975,400.66</b>	<b>1,442,727.19</b>	<b>3,418,127.85</b>

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

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

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	153,841.97	73,340.56	227,182.53
Revenue Dedicated to Servicing Debt	42,675.08	74,512.97	117,188.05
Miscellaneous	530.00		530.00
Total Operating Revenue	197,047.05	147,853.53	344,900.58
<b>Operating Expenses:</b>			
Personal Services	48,311.84	48,233.54	96,545.38
Other Current Expense	31,841.84	20,914.63	52,756.47
Materials (Cost of Goods Sold)	77,758.00		77,758.00
Depreciation	78,401.40	57,313.76	135,715.16
Total Operating Expenses	236,313.08	126,461.93	362,775.01
Operating Income (Loss)	(39,266.03)	21,391.60	(17,874.43)
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	734.50	1,744.46	2,478.96
Interest Expense	(9,078.24)	(13,392.18)	(22,470.42)
Total Nonoperating Revenue (Expense)	(8,343.74)	(11,647.72)	(19,991.46)
Income (Loss) Before Contributions	(47,609.77)	9,743.88	(37,865.89)
Capital Contributions	0.00	41,975.16	41,975.16
Change in Net Position	(47,609.77)	51,719.04	4,109.27
Net Position - Beginning	2,023,010.43	1,391,008.15	3,414,018.58
NET POSITION - ENDING	1,975,400.66	1,442,727.19	3,418,127.85

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

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

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	192,603.25	145,638.06	338,241.31
Cash Operating Cash Receipts	530.00		530.00
Cash Payments to Employees for Services	(50,524.14)	(50,491.07)	(101,015.21)
Cash Payments to Suppliers of Goods and Services	(93,229.47)	(153,737.85)	(246,967.32)
Net Cash Provided (Used) by Operating Activities	49,379.64	(58,590.86)	(9,211.22)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt		178,552.00	178,552.00
Capital Contributions		83,255.16	83,255.16
Purchase of Capital Assets		(16,950.40)	(16,950.40)
Principal Paid on Capital Debt	(35,375.95)	(16,242.02)	(51,617.97)
Interest Paid on Capital Debt	(9,078.24)	(13,392.18)	(22,470.42)
Net Cash (Used) by Capital and Related Financing Activities	(44,454.19)	215,222.56	170,768.37
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	734.50	1,744.46	2,478.96
Net Cash Provided (Used) by Investing Activities	734.50	1,744.46	2,478.96
Net Increase (Decrease) in Cash and Cash Equivalents	5,659.95	158,376.16	164,036.11
Balances - Beginning	136,829.69	284,370.21	421,199.90
Balances - Ending	142,489.64	442,746.37	585,236.01
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(39,266.03)	21,391.60	(17,874.43)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	78,401.40	57,313.76	135,715.16
(Increase) decrease in Receivables	(3,913.80)	(2,215.47)	(6,129.27)
(Increase) decrease in Inventories	10,895.00	8,000.00	18,895.00
(Increase) decrease in Net Pension Asset	8,924.37	8,783.89	17,708.26
(Increase) decrease in Pension Related Deferred Outflows	(1,133.91)	(1,306.36)	(2,440.27)
(Decrease) increase in Accounts and Other Payables	5,475.37	(140,823.22)	(135,347.85)
(Decrease) increase in Accrued Leave Payable	(784.42)	(784.42)	(1,568.84)
(Decrease) Increase in Pension Related Deferred Inflows	(9,218.34)	(8,950.64)	(18,168.98)
Net Cash Provided (Used) by Operating Activities	49,379.64	(58,590.86)	(9,211.22)

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of Viborg (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Viborg Housing and Redevelopment Commission (Commission) was established under state statute on June 21, 1999. The Commission consists of five members which are appointed by the Mayor of the Municipality, with the approval of the Governing Board. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. The Commission sold the apartment complex in 2012 and became inactive. The Commission has no financial resources. The Commission holds regular meetings at least semi-annually. For further information, contact the Viborg Housing and Redevelopment Commission at P.O. Box 56, Viborg, SD 57070.

#### 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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

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

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

Gross Receipts Fund – to account for an additional 1% tax on gross receipts from the sale of leases or rental of hotel, motel, campsites or other lodging accommodations within the Municipality for periods of less than twenty-eight (28) consecutive days, the sale of alcoholic beverages as defined by SDCL 35-1-1 establishments when the public is invited to eat, dine or purchase and carry out prepared food for immediate consumption, and ticket sales or admissions to places of amusement, athletic and cultural events. The use of this tax is for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities, and the promotion and advertising of the Municipality, its facilities, attraction, and activities. This is a major fund.

**Proprietary Funds:**

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- 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.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Viborg, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2022 are sales tax, grants and liquor agreement revenue.

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term liabilities which are recognized when due.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2022 balance of governmental activities capital assets includes approximately three percent for which the costs were determined by estimates of the original costs. The total December 31, 2022 balance of business-type capital assets includes approximately three percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing deflated current replacement costs.

Infrastructure assets used in general government operations consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/Balance Sheet.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 15,000.00	Straight-line	50-60 yrs.
Buildings	\$ 500.00	Straight-line	15-50 yrs.
Machinery & Equipment	\$ 2,500.00	Straight-line	5-15 yrs.

Land is an inexhaustible capital asset and is not depreciated.

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

#### f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, direct borrowing notes payable, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term liabilities is on the accrual basis, the same in the fund statements as in the government-wide statements.

#### g. Program Revenues:

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

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount not in cash form such as notes receivable.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Gross Receipts Fund	Sales Tax

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	Year Ended 12/31/22
General Fund:	
Fire	\$ 17,350.00
Economic Development	\$ 1,280.45

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

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

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

**Deposits** – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 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.

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

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

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collect within one year.

5. INVENTORY

Inventory in the enterprise funds consists of expendable supplies held for consumption. Supplies are recorded at cost.

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

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. Property taxes attach as an enforceable lien on property and become due and payable as of the following 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 following year.

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	19,629.74			19,629.74
Construction Work in Progress	880,291.40	29,586.41	(909,877.81)	0.00
Total Capital Assets, not being Depreciated	899,921.14	29,586.41	(909,877.81)	19,629.74
Capital Assets, being Depreciated:				
Buildings	1,054,573.97			1,054,573.97
Improvements Other Than Buildings	909,047.05	929,477.81		1,838,524.86
Machinery and Equipment	1,472,892.29	123,512.65	(18,390.74)	1,578,014.20
Total Capital Assets, being Depreciated	3,436,513.31	1,052,990.46	(18,390.74)	4,471,113.03
Less Accumulated Depreciation for:				
Buildings	(381,707.25)	(21,060.08)		(402,767.33)
Improvements Other Than Buildings	(581,955.26)	(78,813.65)		(660,768.91)
Machinery and Equipment	(952,684.25)	(76,817.33)	11,427.42	(1,018,074.16)
Total Accumulated Depreciation	(1,916,346.76)	(176,691.06)	11,427.42	(2,081,610.40)
Total Governmental Activities Capital Assets, being Depreciated, Net	1,520,166.55	876,299.40	(6,963.32)	2,389,502.63
Governmental Activity Capital Assets, Net	2,420,087.69	905,885.81	(916,841.13)	2,409,132.37

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General Government	661.19
Public Safety	54,660.09
Public Works	72,492.93
Culture and Recreation	48,173.27
Conservation and Development	703.58
Total Depreciation Expense - Governmental Activities	176,691.06

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	21,489.76			21,489.76
Construction Work in Progress	1,166,866.30	16,950.40	(1,183,816.70)	0.00
Total Capital Assets, not being depreciated	<u>1,188,356.06</u>	<u>16,950.40</u>	<u>(1,183,816.70)</u>	<u>21,489.76</u>
Capital Assets, being Depreciated:				
Buildings	166,312.00			166,312.00
Improvements Other Than Buildings	5,105,119.08	1,183,816.70		6,288,935.78
Machinery and Equipment	147,145.21			147,145.21
Total Capital Assets, being Depreciated	<u>5,418,576.29</u>	<u>1,183,816.70</u>	<u>0.00</u>	<u>6,602,392.99</u>
Less Accumulated Depreciation for:				
Buildings	(145,154.56)	(2,726.24)		(147,880.80)
Improvements Other Than Buildings	(1,514,040.22)	(124,419.76)		(1,638,459.98)
Machinery and Equipment	(54,424.12)	(8,569.16)		(62,993.28)
Total Accumulated Depreciation	<u>(1,713,618.90)</u>	<u>(135,715.16)</u>	<u>0.00</u>	<u>(1,849,334.06)</u>
Total Business-Type Activities Capital Assets, being Depreciated, Net	<u>3,704,957.39</u>	<u>1,048,101.54</u>	<u>0.00</u>	<u>4,753,058.93</u>
Business-Type Activity Capital Assets, Net	<u>4,893,313.45</u>	<u>1,065,051.94</u>	<u>(1,183,816.70)</u>	<u>4,774,548.69</u>
Depreciation expense was charged to functions as follows:				
Business-Type Activities:				
Water		78,401.40		
Sewer		57,313.76		
Total Depreciation Expense - Business-Type Activities		<u>135,715.16</u>		

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**8. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Direct Borrowing Notes Payable - Fire Truck	0.00	70,100.00	13,185.35	56,914.65	13,594.01
Direct Borrowing Notes Payable - Backhoe	20,607.56		6,635.67	13,971.89	6,897.78
Total Debt	20,607.56	70,100.00	19,821.02	70,886.54	20,491.79
Accrued Compensated Absences - Governmental Funds	14,815.82	13,218.80	15,133.16	12,901.46	8,500.00
Total Governmental Activities	35,423.38	83,318.80	34,954.18	83,788.00	28,991.79
Business-Type Activities:					
Bonds Payable:					
Revenue - SRF - DW # 1	48,644.23		5,612.67	43,031.56	5,797.33
Revenue - SRF - DW # 2	92,118.65		3,200.53	88,918.12	3,297.77
Revenue - SRF - DW # 3	452,108.84		16,901.28	435,207.56	16,901.28
Revenue - SRF - CW # 1	320,181.27		10,646.08	309,535.19	10,996.47
Revenue - SRF - CW # 2	96,694.85		2,278.10	94,416.75	2,353.06
Revenue - SRF - CW # 3	615,004.00	178,552.00		793,556.00	13,463.58
Notes Payable - Backhoe	20,607.56		6,635.67	13,971.89	6,897.78
Notes Payable - TM Rural Water	197,788.48		6,643.64	191,144.84	6,536.09
Total Debt	1,843,147.88	178,552.00	51,917.97	1,969,781.91	66,243.36
Accrued Compensated Absences- Business-Type Funds	12,085.40	8,098.14	9,666.98	10,516.56	8,500.00
Total Business-Type Activities	1,855,233.28	186,650.14	61,584.95	1,980,298.47	74,743.36
TOTAL PRIMARY GOVERNMENT	1,890,656.66	269,968.94	96,539.13	2,064,086.47	103,735.15

Long-Term Liabilities at December 31, 2022 is comprised of the following:

Revenue Bonds:

SRF Revenue Bonds – D.W. # 1

Drinking Water Revenue Bonds, Series 2008 at interest rate of 3.25%,  
Final payment due July 15, 2029. Payments made from the Water Fund. \$ 43,031.56

SRF Revenue Bonds – D.W. # 2

Drinking Water Revenue Bonds, Series 2011 at interest rate of 3.00%,  
Final payment due January 15, 2043. Payments made from the Water Fund. \$ 88,918.12

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

SRF Revenue Bonds – D.W. # 3

Drinking Water Revenue Bonds, Series 2017 at interest rate of 0.00%  
Final payment due July 15, 2049. Payments made from Water Fund. \$ 435,207.56

SRF Revenue Bonds – C.W. # 1

Clean Water Borrower Bonds, Series 2011 at interest rate of 3.25%,  
Final payment due July 15, 2043. Payments made from the Sewer Fund. \$ 309,535.19

SRF Revenue Bonds – C.W. # 2

Clean Water Borrower Bonds, Series 2017 at interest rate of 3.25%,  
Final payment due May 15, 2049. Payments made from the Sewer Fund. \$ 94,416.75

SRF Revenue Bonds – C.W. # 3

Clean Water Borrower Bonds, Series 2021 at interest rate of 2.50%,  
Final payment due November 15, 2053. Payments made from the Sewer Fund. \$ 793,556.00

Direct Borrowings:

Direct Borrowing Note Payable to Merchants State Bank for a backhoe.  
The amount of the loan is \$66,331.00 at an annual variable interest rate  
between 3.950%. Payments are annually with maturity occurring  
on April 15, 2024. Payments made from the General Fund, Water Fund  
and Sewer Fund. \$ 27,943.78

Direct Borrowing Note Payable to Merchants State Bank for a fire truck. The  
Amount of the loan is \$70,000.00 at an annual variable interest rate between  
3.950%. Payments are annually with maturity occurring on December 31, 2026.  
Payments made from the General Fund \$ 56,914.65

Direct Borrowing Note Payable to TM Rural Water for water improvement project.  
The amount of the loan is \$240,629.19 at an annual variable interest rate  
of 3.015% per year. Payments are due monthly with maturity  
occurring on January 15, 2044. Payments made from the Water Fund. \$ 191,144.84

Compensated Absences:

This is accrued vacation time that is carried forward to the next year,  
payment to be made by the fund that the payroll expenditures are charged  
to. These are to the following Funds:

General Fund	\$12,901.46
Water Fund	5,258.28
Sewer Fund	<u>5,258.28</u>
TOTAL	<u>\$23,418.02</u>

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities and business-like activities of \$70,886.54 and \$205,116.73, respectively. Collateralized equipment on the direct borrowing notes payable includes a fire truck and backhoe.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Primary Government

The annual requirements to amortize all long-term liabilities outstanding as of December 31, 2022, except for compensated absences, are as follows:

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

Year Ending December 31,	Notes Payable - MSB Backhoe Loan		Notes Payable - TM Rural Water		SRF - Drinking Water # 1 Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	13,795.56	1,108.08	6,536.09	5,661.27	5,797.33	1,328.35
2024	14,148.22	755.42	6,734.40	5,462.96	5,988.06	1,137.62
2025			6,938.71	5,258.65	6,185.05	940.63
2026			7,149.22	5,048.14	6,388.53	737.15
2027			7,366.12	4,831.24	6,598.70	526.98
2028-2032			40,321.60	20,665.20	12,073.89	396.05
2033-2037			46,820.80	14,166.00		
2038-2042			54,367.60	6,619.20		
2043-2047			14,910.30	336.41		
2048-2052						
Totals	<u>27,943.78</u>	<u>1,863.50</u>	<u>191,144.84</u>	<u>68,049.07</u>	<u>43,031.56</u>	<u>5,066.78</u>

  

Year Ending December 31,	SRF - Drinking Water # 2 Revenue Bonds Payable		SRF - Drinking Water # 3 Revenue Bonds Payable		SRF - Clean Water # 1 Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	3,297.77	2,630.67	16,901.28		10,996.47	9,926.77
2024	3,397.82	2,530.62	16,901.28		11,358.23	9,565.01
2025	3,500.91	2,427.53	16,901.28		11,731.90	9,191.34
2026	3,607.12	2,321.32	16,901.28		12,117.86	8,805.38
2027	3,716.56	2,211.88	16,901.28		12,516.51	8,406.73
2028-2032	20,344.16	9,298.04	84,506.40		69,036.83	35,579.37
2033-2037	23,623.31	6,018.89	84,506.40		81,164.96	23,451.24
2038-2042	27,430.47	2,211.73	84,506.40		95,423.70	9,192.50
2043-2047			84,506.40		5,188.73	42.08
2048-2052			12,675.56			
Totals	<u>88,918.12</u>	<u>29,650.68</u>	<u>435,207.56</u>	<u>0.00</u>	<u>309,535.19</u>	<u>114,160.42</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Annual Requirements to Maturity for Long-Term Liabilities  
December 31, 2022  
(Continued)

Year Ending December 31,	SRF - Clean Water # 2 Revenue Bonds Payable		SRF - Clean Water # 3 Revenue Bonds Payable		Notes Payable-MSB Firetruck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	2,353.06	3,040.06	13,463.58	14,795.38	13,594.01	1,622.19
2024	2,430.47	2,962.65	18,347.40	19,331.20	14,005.59	1,210.61
2025	2,510.44	2,882.68	18,810.40	18,868.20	14,437.04	779.16
2026	2,593.02	2,800.10	19,285.10	18,393.50	14,878.01	338.18
2027	2,678.33	2,714.79	19,771.76	17,906.84		
2028-2032	14,772.72	12,192.88	106,599.68	81,793.32		
2033-2037	17,367.94	9,597.66	120,746.24	67,646.76		
2038-2042	20,419.10	6,546.50	136,770.21	51,622.79		
2043-2047	24,006.24	2,959.36	154,920.67	33,472.33		
2048-2052	5,285.43	107.71	175,479.83	12,913.17		
2053-2057			9,361.13	58.51		
Totals	<u>94,416.75</u>	<u>45,804.39</u>	<u>793,556.00</u>	<u>336,802.00</u>	<u>56,914.65</u>	<u>3,950.14</u>

Year Ending December 31,	Totals	
	Principal	Interest
2023	86,735.15	40,112.77
2024	93,311.47	42,956.09
2025	81,015.73	40,348.19
2026	82,920.14	38,443.77
2027	69,549.26	36,598.46
2028-2032	347,655.28	159,924.86
2033-2037	374,229.65	120,880.55
2038-2042	418,917.48	76,192.72
2043-2047	283,532.34	36,810.18
2048-2052	193,440.82	13,020.88
2053-2057	9,361.13	58.51
Totals	<u>2,040,668.45</u>	<u>605,346.98</u>

9. RESTRICTED NET POSITION

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

Governmental Activities:	
SDRS Pension	\$ 14,549.26
Special Facilities / Promotion of the Municipality	<u>19,173.79</u>
Total Governmental Activities	<u>\$ 33,723.05</u>

Restricted due to restrictions as imposed by state statute and governmental accounting standards.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Business-type Activities:

SDRS Pension	\$ 9,052.01
Water Fund - Debt Service	43,048.80
Total Business-type Activities	<u>\$ 52,100.81</u>

These business-type activities balances are restricted due to debt covenants and governmental accounting standards.

10. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020, were \$12,750.96, \$13,151.50, and \$12,249.29 respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 1,329,362.03
Less proportionate share of net position restricted for pension benefits	<u>\$ 1,330,252.00</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (889.97)</u></u>

At December 31, 2022, the Municipality reported a liability (asset) of \$(889.97) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.00941700%, which is an increase (decrease) of 0.0002390% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of pension expense) of \$(4,198.38). At December 31, 2022, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 16,941.17	\$ 57.77
Changes in assumption.	\$ 56,563.49	\$ 49,570.33
Net difference between projected and actual earnings on pension plan investments.		\$ 2,132.78
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 521.34
Municipality contributions subsequent to the measurement date.	\$ 6,113.39	
<b>TOTAL</b>	<u>\$ 79,618.05</u>	<u>\$ 52,282.22</u>

\$6,113.39 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended  
December 31:

2023	\$ 5,615.34
2024	\$ 12,222.98
2025	\$ (14,201.92)
2026	\$ 17,586.04
<b>TOTAL</b>	<u>\$ 21,222.44</u>

Actuarial Assumptions:

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

Inflation	2.50 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%

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Other Class A Members: PubG-2010  
 Public Safety Members: PubS-2010  
 Retired Members:  
   Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65  
   Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per  
     Year until 111% of rates at age 83 and above.  
   Public Safety Retirees: PubS-2010, 102% of rates at all ages.  
 Beneficiaries:  
   PubG-2010 contingent survivor mortality table  
 Disabled Members:  
   Public Safety: PubS-2010 disabled member mortality table  
   Others: PubG-2010 disabled member mortality table

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

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

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

Discount Rate:

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

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

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 184,793.17	\$(889.97)	\$(152,642.15)

Pension Plan Fiduciary Net Position:

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

11. SIGNIFICANT CONTINGENCIES – LITIGATION

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

12. 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 joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

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 an annual premium, 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 liability coverage for officials, liability and property coverage for vehicles, and liability and property coverage for other property.

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 their 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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

The Municipality carries a \$250 deductible for the property coverage and \$500 deductible for the official coverage.

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.

13. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through October 31, 2023, the date on which the financial statements were available to be issued.

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	246,371.00	246,371.00	236,688.41	(9,682.59)
General Sales and Use Taxes	290,000.00	290,000.00	364,173.52	74,173.52
Amusement Taxes	265.00	265.00	0.00	(265.00)
Penalties & Interest on Delinquent Taxes	500.00	500.00	271.58	(228.42)
Licenses and Permits	2,000.00	2,000.00	2,578.50	578.50
Intergovernmental Revenue:				
Federal Grants	0.00	21,400.00	70,128.83	48,728.83
State Grants	0.00	125,275.00	9,520.44	(115,754.56)
State Shared Revenue:				
Bank Franchise Tax	2,500.00	2,500.00	4,075.40	1,575.40
Liquor Tax Reversion	5,600.00	5,600.00	5,703.87	103.87
Motor Vehicle Licenses	7,500.00	7,500.00	9,060.76	1,560.76
Local Government Highway and Bridge Fund	13,000.00	13,000.00	12,429.67	(570.33)
County Shared Revenue:				
County Road and Bridge Tax	0.00	0.00	528.68	528.68
County Wheel Tax	2,500.00	2,500.00	2,745.71	245.71
Other	1,500.00	1,500.00	2,973.46	1,473.46
Charges for Goods and Services:				
Sanitation	300.00	300.00	300.00	0.00
Culture and Recreation	3,500.00	3,500.00	5,210.00	1,710.00
Other	0.00	0.00	0.00	0.00
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	1,800.00	1,800.00
Other	3,600.00	3,600.00	2,405.00	(1,195.00)
Miscellaneous Revenue:				
Investment Earnings	8,500.00	8,500.00	6,610.56	(1,889.44)
Rentals	23,860.00	23,860.00	7,195.00	(16,665.00)
Special Assessments	27,000.00	27,000.00	26,487.37	(512.63)
Contributions and Donations from Private Sources	500.00	1,500.00	87,031.90	85,531.90
Liquor Operating Agreement Income	17,000.00	17,000.00	16,273.78	(726.22)
Other	5,500.00	5,500.00	10,666.94	5,166.94
<b>Total Revenue</b>	<b>661,496.00</b>	<b>809,171.00</b>	<b>884,859.38</b>	<b>75,688.38</b>
<b>Expenditures:</b>				
General Government:				
Legislative	26,000.00	26,075.00	23,550.28	2,524.72
Contingency	17,716.00	17,716.00		
Amount Transferred		0.00		17,716.00
Executive	6,500.00	6,500.00	6,220.00	280.00
Elections	300.00	300.00	0.00	300.00
Financial Administration	69,080.00	69,221.89	54,178.60	15,043.29
Other	71,550.00	78,730.02	69,942.81	8,787.21
<b>Total General Government</b>	<b>191,146.00</b>	<b>198,542.91</b>	<b>153,891.69</b>	<b>44,651.22</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures (Cont.):</b>				
Public Safety:				
Police	83,950.00	86,934.06	64,162.03	22,772.03
Fire	16,200.00	93,359.00	110,709.00	(17,350.00)
Total Public Safety	100,150.00	180,293.06	174,871.03	5,422.03
Public Works:				
Highways and Streets	166,950.00	310,726.97	157,874.06	152,852.91
Sanitation	6,000.00	7,721.37	7,721.37	0.00
Total Public Works	172,950.00	318,448.34	165,595.43	152,852.91
Health and Welfare:				
Other	1,300.00	1,300.00	1,300.00	0.00
Total Health and Welfare	1,300.00	1,300.00	1,300.00	0.00
Culture and Recreation:				
Recreation	10,800.00	14,638.18	14,598.18	40.00
Parks	23,800.00	36,607.13	22,870.77	13,736.36
Libraries	63,600.00	67,563.51	59,615.72	7,947.79
Auditorium	23,150.00	44,550.00	36,418.03	8,131.97
Total Culture and Recreation	121,350.00	163,358.82	133,502.70	29,856.12
Conservation and Development:				
Economic Development and				
Assistance (Industrial Development)	74,000.00	74,000.00	75,280.45	(1,280.45)
Total Conservation and Development	74,000.00	74,000.00	75,280.45	(1,280.45)
Debt Service	0.00	25,525.91	22,756.16	2,769.75
Miscellaneous:				
Liquor Operating Agreements	600.00	600.00	600.00	0.00
Total Miscellaneous	600.00	600.00	600.00	0.00
Total Expenditures	661,496.00	962,069.04	727,797.46	234,271.58
Excess of Revenue Over (Under)				
Expenditures	0.00	(152,898.04)	157,061.92	309,959.96
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or				
Damage to Capital Assets	0.00	0.00	13,239.19	13,239.19
Long-Term Debt Issued	0.00	86,500.00	70,100.00	(16,400.00)
Total Other Financing Sources (Uses)	0.00	86,500.00	83,339.19	(3,160.81)
Net Change in Fund Balances	0.00	(66,398.04)	240,401.11	306,799.15
Fund Balance - Beginning	1,109,079.32	1,109,079.32	1,109,079.32	0.00
FUND BALANCE - ENDING	1,109,079.32	1,042,681.28	1,349,480.43	306,799.15

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	9,500.00	9,500.00	9,690.21	190.21
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	91.82	91.82
Total Revenue	9,500.00	9,500.00	9,782.03	282.03
<b>Expenditures:</b>				
Culture and Recreation:				
Auditorium	9,500.00	9,500.00	8,406.41	1,093.59
Total Culture and Recreation	9,500.00	9,500.00	8,406.41	1,093.59
Total Expenditures	9,500.00	9,500.00	8,406.41	1,093.59
Net Change in Fund Balances	0.00	0.00	1,375.62	1,375.62
Fund Balance - Beginning	13,173.64	13,173.64	13,173.64	0.00
FUND BALANCE - ENDING	13,173.64	13,173.64	14,549.26	1,375.62

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTE 1. Budgets and Budgetary Accounting**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Municipal Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Municipal Commission, 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 Municipal Commission 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 Municipal Commission.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

**NOTE 2. GAAP/Budgetary Accounting Basis Differences**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

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

South Dakota Retirement System

Last Eight 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 covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2022	0.0094170%	\$ (889.97)	\$ 210,762.90	0.42%	100.10%
2021	0.0091780%	\$ (70,287.77)	\$ 194,152.17	36.20%	105.52%
2020	0.0095005%	\$ (412.60)	\$ 194,420.83	0.21%	100.04%
2019	0.0093225%	\$ (987.93)	\$ 184,281.92	0.54%	100.09%
2018	0.0092164%	\$ (214.95)	\$ 178,136.28	0.12%	100.02%
2017	0.0085245%	\$ (773.61)	\$ 163,671.26	0.47%	100.10%
2016	0.0092336%	\$ 31,190.19	\$ 162,180.32	19.23%	96.89%
2015	0.0093726%	\$ (39,751.87)	\$ 159,000.00	25.00%	104.10%

\* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 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 Eight Years \*

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 12,750.96	\$ 12,750.96	\$ -	\$ 202,713.16	6.29%
2021	\$ 13,151.50	\$ 13,151.50	\$ -	\$ 204,884.59	6.42%
2020	\$ 12,249.29	\$ 12,249.29	\$ -	\$ 190,387.51	6.43%
2019	\$ 12,007.03	\$ 12,007.03	\$ -	\$ 186,540.76	6.44%
2018	\$ 12,145.19	\$ 12,145.19	\$ -	\$ 187,957.97	6.46%
2017	\$ 11,414.58	\$ 11,414.58	\$ -	\$ 177,059.22	6.45%
2016	\$ 9,773.85	\$ 9,773.85	\$ -	\$ 155,559.39	6.28%
2015	\$ 10,577.78	\$ 10,577.78	\$ -	\$ 163,000.00	6.49%

\* 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 actuarial valuation.

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

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was 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%.

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%.

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

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

**Actuarial Method Changes**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement 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.