

City of Volga

**Independent Auditor's Report
and Financial Statements**

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

City of Volga
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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***

To the Council Members
City of Volga, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Volga, South Dakota (City), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated October 8, 2024. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these component units was not audited.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’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 items 2023-001 and 2023-002 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

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 City'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.

Handwritten signature in cursive script, appearing to read "CIO of Huron, SD".

Huron, South Dakota
October 8, 2024

City of Volga
Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Schedule of Prior Audit Findings

Internal Control-Related Findings – Material Weaknesses:

Finding No. 2022-001 – Lack of Segregation of Duties

A reportable condition and material weakness in internal controls was noted due to lack of proper segregation of duties for revenues. The City Council has added procedures for the Council to help reduce the risks of not having proper segregation of duties for revenues but not eliminate the finding. The finding is restated as a current audit finding number 2023-001.

Finding No. 2023-002 – Preparation of Financial Statements, and Footnotes

A reportable condition and material weakness in internal controls was noted due to the City requesting external auditors to prepare the financial statements and related notes for the year ended December 31, 2022. The City reviews, approves and accepts responsibility for the financial statements and related notes. The finding is restated as a current audit finding number 2023-002.

City of Volga
Schedule of Current Audit Findings
For the Year Ended December 31, 2023

Schedule of Current Audit Findings

Internal Control-Related Findings – Material Weaknesses:

Finding No. 2023-001 – Lack of Segregation of Duties

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City of Volga has limited number of office personnel, and accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of lack of segregation of duties. This is a continuing audit comment.

Cause: The City has insufficient number of staff to adequately separate duties.

Effect: As a result, a misappropriation of assets and errors could occur in the financial reporting process and not detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the City officials exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding and recommendations. They will monitor internal controls by reviewing all bills presented for payment, and review budget to actual reports. A council member will review cash reconciliations.

Finding No. 2023-002 – Preparation of Financial Statements, and Footnotes

Criteria: The City's internal control structure should provide for the preparation of financial statements and footnotes in accordance with the modified cash basis of accounting.

Condition: The City of Volga requested the external auditors to prepare the financial statements and related notes for the year ended December 31, 2023.

Cause: The City does not have adequate staff trained to prepare financial statements and the related footnotes.

Effect: The condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding and recommendations.



Independent Auditor's Report

To the City Council
City of Volga, South Dakota

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Volga, South Dakota (City), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements. We were not engaged to audit the financial statement of the aggregate discretely presented component units. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Volga. Accordingly, we do not express opinions on those financial statements.

Unmodified Opinions on the Governmental Activities, Business-Type Activities, Each Major Fund, and Aggregate Remaining Fund Information.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Volga as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Disclaimer of Opinion and Unmodified 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 City 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 unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Volga Housing and Redevelopment Commission and Volga Non-Profit Development Corporation have not been audited, and we were not engaged to audit the Volga Housing and Redevelopment Commission or the Volga Non-Profit Development Corporation's financial statements as part of the City's basic financial statements. The Volga Housing and Redevelopment Commission and Volga Non-Profit Development Corporation's financial activities are included in the City's basic financial statements as part of the discretely presented component units and represent the assets, net position, and revenues/expenses of the City's aggregate discretely presented component units.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedule, Schedule of Changes in Long-Term Debt, and Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.



Huron, South Dakota
October 8, 2024

City of Volga
Statement of Net Position – Modified Cash Basis
December 31, 2023

	Primary Government			Unaudited Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 1,693,664	\$ 6,439,067	\$ 8,132,731	\$ 932,094
Certificates of deposit	--	648,558	648,558	29,414
Total Assets	<u>\$ 1,693,664</u>	<u>\$ 7,087,625</u>	<u>\$ 8,781,289</u>	<u>\$ 961,508</u>
Net Position:				
Restricted for:				
Debt service	\$ 25,250	\$ 52,997	\$ 78,247	\$ --
Customer deposits	--	56,816	56,816	--
Unrestricted	1,668,414	6,977,812	8,646,226	961,508
Total Net Position	<u>\$ 1,693,664</u>	<u>\$ 7,087,625</u>	<u>\$ 8,781,289</u>	<u>\$ 961,508</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Unaudited Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:							
Governmental Activities:							
General government	\$ 315,512	\$ 57,067	\$ 10,059	\$ (248,386)	\$ --	\$ (248,386)	\$ --
Public safety	254,085	4,085	--	(250,000)	--	(250,000)	--
Public works	1,803,298	160,149	66,170	(1,576,979)	--	(1,576,979)	--
Culture and recreation	298,612	69,854	--	(228,758)	--	(228,758)	--
Conservation and development	60,900	--	--	(60,900)	--	(60,900)	--
*Interest on long-term debt	1,555	--	--	(1,555)	--	(1,555)	--
Total Governmental Activities	<u>2,733,962</u>	<u>291,155</u>	<u>76,229</u>	<u>(2,366,578)</u>	<u>--</u>	<u>(2,366,578)</u>	<u>--</u>
Business-type Activities:							
Water	1,406,368	723,687	--	--	(682,681)	(682,681)	--
Electric	5,526,095	5,942,853	--	--	416,758	416,758	--
Sewer	827,644	711,477	--	--	(116,167)	(116,167)	--
Total Business-Type Activities	<u>7,760,107</u>	<u>7,378,017</u>	<u>--</u>	<u>--</u>	<u>(382,090)</u>	<u>(382,090)</u>	<u>--</u>
Total Primary Government	<u>\$ 10,494,069</u>	<u>\$ 7,669,172</u>	<u>\$ 76,229</u>	<u>(2,366,578)</u>	<u>(382,090)</u>	<u>(2,748,668)</u>	<u>--</u>
Component Units	<u>\$ 395,182</u>	<u>\$ 87,556</u>	<u>\$ 81,576</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(226,050)</u>
General Revenues:							
Taxes:							
*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property tax			946,885	--	946,885	--
	Sales tax			739,459	--	739,459	--
	State shared revenues			27,908	--	27,908	--
	Unrestricted investment earnings			41,582	121,166	162,748	11,367
	Miscellaneous revenue			168,305	358,449	526,754	180,933
	Debt issued			--	533,342	533,342	--
	Total General Revenues and Transfers			<u>1,924,139</u>	<u>1,012,957</u>	<u>2,937,096</u>	<u>192,300</u>
	Change in Net Position			(442,439)	630,867	188,428	(33,750)
	Net Position-Beginning of Year			<u>2,136,103</u>	<u>6,456,758</u>	<u>8,592,861</u>	<u>995,258</u>
	Net Position-End of Year			<u>\$ 1,693,664</u>	<u>\$ 7,087,625</u>	<u>\$ 8,781,289</u>	<u>\$ 961,508</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
 Balance Sheet – Modified Cash Basis – Governmental Funds
 December 31, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,668,414	\$ 25,250	\$ 1,693,664
Total Assets	\$ 1,668,414	\$ 25,250	\$ 1,693,664
 Fund Balances:			
Restricted - TIF projects	\$ --	\$ 25,250	\$ 25,250
Committed - auditorium	60,000	--	60,000
Assigned - activity center	50,000	--	50,000
Assigned - other	15,000	--	15,000
Unassigned	1,543,414	--	1,543,414
Total Fund Balances	\$ 1,668,414	\$ 25,250	\$ 1,693,664

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Modified Cash Basis – Governmental Funds
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
General property taxes	\$ 517,012	\$ 429,873	\$ 946,885
General sales and use taxes	739,459	--	739,459
Licenses and permits	9,641	--	9,641
Intergovernmental:			
Federal grants	6,699	--	6,699
State grants	3,236	--	3,236
State shared revenues:			
Bank franchise tax	13,384	--	13,384
Prorate license fees	2,325	--	2,325
Liquor tax reversion	14,524	--	14,524
Motor vehicle licenses	16,035	--	16,035
Fire insurance premiums reversion	14,127	--	14,127
Local government highway and bridge fund	27,562	--	27,562
County shared revenues:			
County road tax	425	--	425
County wheel tax	5,612	--	5,612
Other intergovernmental revenues	8,827	--	8,827
Charges for goods and services:			
General government	49,867	--	49,867
Public safety	1,500	--	1,500
Highways and streets	651	--	651
Sanitation	149,857	--	149,857
Culture and recreation	63,104	--	63,104
Fines and forfeits:			
Court fines and costs	1,000	--	1,000
Animal control fines	1,135	--	1,135
Parking meter fines	450	--	450
Miscellaneous revenue:			
Investment earnings	41,582	--	41,582
Rentals	7,200	--	7,200
Special assessments	84	--	84
Contributions and donations	124	--	124
Liquor operating agreement income	6,750	--	6,750
Other	20,939	--	20,939
Total Revenue	<u>\$ 1,723,111</u>	<u>\$ 429,873</u>	<u>\$ 2,152,984</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Modified Cash Basis – Governmental Funds
For the Year Ended December 31, 2023 (Continued)

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures:			
General government:			
Executive	\$ 35,995	\$ --	\$ 35,995
Financial administration	237,345	--	237,345
Other	42,172	--	42,172
Public safety:			
Police	126,836	--	126,836
Fire	127,249	--	127,249
Public works:			
Highways and streets	840,300	--	840,300
Sanitation	154,925	--	154,925
Transit	13,000	--	13,000
Culture and recreation:			
Recreation	236,451	--	236,451
Parks	38,733	--	38,733
Auditorium	23,428	--	23,428
Conservation and development:			
Economic development and assistance	60,900	--	60,900
Debt service	--	429,873	429,873
Capital outlay	--	366,755	366,755
Total Expenditures	<u>1,937,334</u>	<u>796,628</u>	<u>2,733,962</u>
Excess of Revenues Over Expenditures	<u>(214,223)</u>	<u>(366,755)</u>	<u>(580,978)</u>
Other Financing Sources:			
Sale of municipal property	<u>138,539</u>	--	<u>138,539</u>
Total Other Financing Sources	<u>138,539</u>	--	<u>138,539</u>
Net Change in Fund Balance	(75,684)	(366,755)	(442,439)
Fund Balance - Beginning of Year	<u>1,744,098</u>	<u>392,005</u>	<u>2,136,103</u>
Fund Balance - End of Year	<u>\$ 1,668,414</u>	<u>\$ 25,250</u>	<u>\$ 1,693,664</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Statement of Net Position – Modified Cash Basis – Proprietary Funds
December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Assets:				
Cash and cash equivalents	\$ 806,066	\$ 4,921,578	\$ 711,423	\$ 6,439,067
Certificates of deposit	347,563	52,997	247,998	648,558
Total Assets	<u>\$ 1,153,629</u>	<u>\$ 4,974,575</u>	<u>\$ 959,421</u>	<u>\$ 7,087,625</u>
Net Position:				
Restricted - debt service	\$ --	\$ 52,997	\$ --	\$ 52,997
Restricted - customer deposits	56,816	--	--	56,816
Unrestricted	<u>1,096,813</u>	<u>4,921,578</u>	<u>959,421</u>	<u>6,977,812</u>
Total Net Position	<u>\$ 1,153,629</u>	<u>\$ 4,974,575</u>	<u>\$ 959,421</u>	<u>\$ 7,087,625</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga

Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Operating Revenues:				
Charges for goods and services	\$ 723,687	\$ 5,942,853	\$ 711,477	\$ 7,378,017
Total Operating Revenues	<u>723,687</u>	<u>5,942,853</u>	<u>711,477</u>	<u>7,378,017</u>
Operating Expenses:				
Personal services	105,407	325,830	81,949	513,186
Other current expense	147,203	369,616	199,405	716,224
Supplies & materials	96,283	4,216,919	19,761	4,332,963
Total Operating Expenses	<u>348,893</u>	<u>4,912,365</u>	<u>301,115</u>	<u>5,562,373</u>
Operating Income	<u>374,794</u>	<u>1,030,488</u>	<u>410,362</u>	<u>1,815,644</u>
Nonoperating Revenue (Expense)				
Investment earnings	13,544	96,303	11,319	121,166
Capital assets	(918,635)	(601,945)	(277,033)	(1,797,613)
Debt service (principal)	(68,604)	(11,050)	(160,846)	(240,500)
Debt service (interest)	(70,236)	(735)	(88,650)	(159,621)
Long-term debt issued	533,342	--	--	533,342
Other	--	289,591	68,858	358,449
Total Nonoperating Revenue (Expenses)	<u>(510,589)</u>	<u>(227,836)</u>	<u>(446,352)</u>	<u>(1,184,777)</u>
Change in Net Position	(135,795)	802,652	(35,990)	630,867
Net Position - Beginning of Year	<u>1,289,424</u>	<u>4,171,923</u>	<u>995,411</u>	<u>6,456,758</u>
Net Position - End of Year	<u>\$ 1,153,629</u>	<u>\$ 4,974,575</u>	<u>\$ 959,421</u>	<u>\$ 7,087,625</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
For the Year Ended December 31, 2023

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Cash Flows from Operating Activities:				
Receipt from customers	\$ 723,687	\$ 5,942,853	\$ 711,477	\$ 7,378,017
Payments to suppliers	(243,486)	(4,586,535)	(219,166)	(5,049,187)
Payments to employees	(105,407)	(325,830)	(81,949)	(513,186)
Net Cash Provided by Operating Activities	<u>374,794</u>	<u>1,030,488</u>	<u>410,362</u>	<u>1,815,644</u>
Cash Flows from Noncapital Financing Activities:				
Other income	--	289,591	68,858	358,449
Net Cash Provided by Noncapital Financing Activities	<u>--</u>	<u>289,591</u>	<u>68,858</u>	<u>358,449</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	533,342	--	--	533,342
Purchase of capital assets	(918,635)	(601,945)	(277,033)	(1,797,613)
Debt service (principal)	(68,604)	(11,050)	(160,846)	(240,500)
Debt service (interest)	(70,236)	(735)	(88,650)	(159,621)
Interest Income	13,544	96,303	11,319	121,166
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(510,589)</u>	<u>(517,427)</u>	<u>(515,210)</u>	<u>(1,543,226)</u>
Net Increase in Cash and Cash Equivalents	<u>(135,795)</u>	<u>802,652</u>	<u>(35,990)</u>	<u>630,867</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,289,424</u>	<u>4,171,923</u>	<u>995,411</u>	<u>6,456,758</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,153,629</u>	<u>\$ 4,974,575</u>	<u>\$ 959,421</u>	<u>\$ 7,087,625</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	<u>\$ 374,794</u>	<u>\$ 1,030,488</u>	<u>\$ 410,362</u>	<u>\$ 1,815,644</u>
Net Cash Provided by Operating Activities	<u>\$ 374,794</u>	<u>\$ 1,030,488</u>	<u>\$ 410,362</u>	<u>\$ 1,815,644</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of the City of Volga, (City) 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 City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Volga Housing and Redevelopment Commission (Commission) is a non-profit organization, discretely-presented component unit. It is organized to provide 20 units of residential housing rentals to elderly and lower income individuals, complying with the requirements of the U.S. Department of Housing and Urban Development. The Commission is a Housing and Redevelopment Commission established under SDCL 11-7-7. The five members of the Commission are appointed by the City and the City approves its annual operating plan. Also, The Commission is required by state statute to get the City's approval before it can start any specific project or issue debt (SDCL 11-7-24, 11-7-49, and 11-7-53). The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Commission has a March 31st fiscal year end. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 601 Samara Avenue, Volga, SD 57071.

The Volga Non-Profit Development Corporation is considered to be a component unit of the City of Volga because the City's governing board can impose its will on the Volga Non-Profit Development Corporation. Separately issued financial statements of the Volga Non-Profit Development Corporation are available at Volga City Hall.

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statements of Net Position and Statements of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental, business-type activities, and discretely presented component units. 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. Discretely presented component units are legally separate organizations that meet criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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

Fund Financial Statements:

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

The funds of the City's financial reporting entity are described below:

Governmental Funds:

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

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

ARPA Fund – A fund established by the City to account for America Rescue Plan Act (ARPA) receipts and expenditures of resources received from federal grants. This is not a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Tax Increment Financing (TIF) Funds – to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt (developer advance) issued to finance a public improvement. The City accounts for several legally separate TIF debt issues through its TIF #2, TIF #3, TIF #4, TIF #5, TIF #6, and TIF #7 debt service funds. These are not major funds.

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 activities' principal revenue sources.

- a. The activity is financed with debt that is secured solely by pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing service, 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).

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96). This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement Focus:

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

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and component unit activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, notes payable, revenue bonds, and TIF Developer Advances.

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

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

g. Program Revenues:

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

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Cash and Cash Equivalents:

The City 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 Statements of Cash Flows.

j. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

- 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 nor committed. Fund Balance may be assigned by the governing body or Finance Officer.
- Unassigned – Included 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 City would use 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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The City's special revenue ARPA fund received its revenue from a federal grant.

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

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

Deposits – The City'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.

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

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

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

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

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. At December 31, 2023, the City’s deposits in financial institutions were not exposed to custodial deposit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

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

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

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

3. Property Taxes:

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

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

4. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2023 was as follows:

Restricted for:	Restricted by:	
Debt service	Covenant	\$ 78,247
Customer deposits	Contract	56,816
		\$ 135,063

5. Pension Plan:

a. 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 employee 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://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.

b. Benefits Provided:

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

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

5. Pension Plan: (Continued)

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

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

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

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

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

c. 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.

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

5. Pension Plan: (Continued)

The City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 35,419
2022	29,878
2021	26,006

d. Pension Asset:

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

Proportionate share of net position restricted for pension benefits	\$ 3,065,071
Less proportionate share of total pension liability	<u>3,067,136</u>
Proportionate share of net pension (asset)	<u><u>\$ (2,065)</u></u>

The net pension (asset) was measured as of as of June 30, 2023 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023 the City's proportion was 0.02115200%, which is an increase of .0017200% from its proportion measured as of June 30, 2022.

e. Actuarial Assumptions:

The total pension asset in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates:

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

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

5. Pension Plan: (Continued)

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates 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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

5. Pension Plan: (Continued)

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset).

g. Sensitivity of Asset to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 423,156	\$ (2,065)	\$ (349,814)

h. Pension Plan Fiduciary Net Position:

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

6. Joint Powers Agreement:

In 2006 the City joined the Regional Economic Development Partnership coordinated by the Brookings Economic Development Corporation (BEDC). The purpose of the Partnership is to (1) establish a regional economic development plan, (2) cooperation in such areas as joint bidding, fire and police protection, animal control, code enforcement, and mosquito abatement, and (3) availability of “Technical Assistance” from City of Brookings staff. In 2023 the City of Volga paid dues of \$5,000 for 2022 to BEDC for participation in the Partnership.

At December 31, 2023, BEDC had total audited equity of \$4,052,770 and \$0 in long-term debt. The BEDC can be reached through the City of Brookings at PO Box 270, Brookings, SD 57006 or by calling (605)697-8103.

City of Volga
Notes to the Modified Cash Basis Financial Statements
December 31, 2023

7. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2023, the City managed its risks as follows:

a. Employee Health Insurance:

The City 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 City 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 City 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.

b. Liability Insurance:

The City 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 City'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 City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-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 City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

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

7. Risk Management: (Continued)

c. Workers' Compensation:

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

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

d. Unemployment Benefits:

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

8. Major Customer:

Approximately 60% of the City's electrical receipts and 30% of its sewer receipts are received from South Dakota Soybean Processors.

9. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor's report which is the date the financial statements were available to be issued.

Supplementary Information

City of Volga
 Budgetary Comparison Schedule – Modified Cash Basis – General Fund
 For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General property taxes	\$ 486,999	\$ 486,999	\$ 517,012	\$ 30,013
General sales and use taxes	700,000	700,000	739,459	39,459
Licenses and permits	8,000	8,000	9,641	1,641
Intergovernmental:				
Federal grants	--	--	6,699	6,699
State grants	3,500	3,500	3,236	(264)
State shared revenues:				
Bank franchise tax	12,600	12,600	13,384	784
Prorate license fees	3,000	3,000	2,325	(675)
Liquor tax reversion	15,000	15,000	14,524	(476)
Motor vehicle licenses	15,000	15,000	16,035	1,035
Fire insurance premiums reversion	13,000	13,000	14,127	1,127
Local government highway and bridge fund	26,900	26,900	27,562	662
County shared revenues:				
County road tax	312	312	425	113
County wheel tax	5,500	5,500	5,612	112
Other intergovernmental revenues	7,450	7,450	8,827	1,377
Charges for goods and services:				
General government	40,000	40,000	49,867	9,867
Public safety	--	--	1,500	1,500
Highways and streets	500	500	651	151
Sanitation	133,475	133,475	149,857	16,382
Culture and recreation	54,000	54,000	63,104	9,104
Fines and forfeits:				
Court fines and costs	--	--	1,000	1,000
Animal control fines	150	150	1,135	985
Parking meter fines	500	500	450	(50)
Miscellaneous revenue:				
Investment earnings	4,500	4,500	41,582	37,082
Rentals	5,268	5,268	7,200	1,932
Special assessments	100	100	84	(16)
Contributions and donations	3,300	3,300	124	(3,176)
Liquor operating agreement income	6,700	6,700	6,750	50
Other	21,500	21,500	20,939	(561)
Total Revenue	<u>\$ 1,567,254</u>	<u>\$ 1,567,254</u>	<u>\$ 1,723,111</u>	<u>\$ 155,857</u>

See accompanying Note to Budgetary Comparison Schedules.

City of Volga
 Budgetary Comparison Schedule – Modified Cash Basis – General Fund (Continued)
 For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
Contingency	\$ 95,000	\$ 95,000	\$ --	\$ 95,000
Amount transferred	--	(95,000)	--	(95,000)
Executive	36,719	36,719	35,995	724
Financial administration	254,063	254,063	237,345	16,718
Other	54,000	54,000	42,172	11,828
Public safety:				
Police	121,350	126,950	126,836	114
Fire	151,700	151,700	127,249	24,451
Public works:				
Highways and streets	813,913	855,913	840,300	15,613
Sanitation	132,475	155,375	154,925	450
Transit	13,000	13,000	13,000	--
Culture and recreation:				
Recreation	222,401	246,901	236,451	10,450
Parks	40,708	40,708	38,733	1,975
Auditorium	29,500	29,500	23,428	6,072
Conservation and development:				
Economic development and assistance	60,900	60,900	60,900	--
Total Expenditures	<u>2,025,729</u>	<u>2,025,729</u>	<u>1,937,334</u>	<u>88,395</u>
Excess of Revenues Over (Under) Expenditures	<u>(458,475)</u>	<u>(458,475)</u>	<u>(214,223)</u>	<u>244,252</u>
Other Financing Sources				
Transfers in	357,674	357,674	--	(357,674)
Sale of municipal property	--	--	138,539	138,539
Total Other Financing Sources	<u>357,674</u>	<u>357,674</u>	<u>138,539</u>	<u>(219,135)</u>
Net Change in Fund Balance	(100,801)	(100,801)	(75,684)	25,117
Fund Balance - Beginning of Year	<u>1,744,098</u>	<u>1,744,098</u>	<u>1,744,098</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,643,297</u>	<u>\$ 1,643,297</u>	<u>\$ 1,668,414</u>	<u>\$ 25,117</u>

See accompanying Note to Budgetary Comparison Schedules.

City of Volga
Notes to Budgetary Comparison Schedule
December 31, 2023

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the schedules:

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

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

The City did not encumber any amounts on December 31, 2023.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting 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 Revenues, 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.

City of Volga
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2023

Debt payable at December 31, 2023 is comprised of the following:

<u>Indebtedness</u>	<u>Long-Term Debt 01/01/23</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/23</u>
Governmental Long-Term Debt:				
Direct Borrowings:				
2018 Fire Truck Bank Loan	\$ 33,385	\$ --	\$ 33,385	\$ --
2021 Bank Loan - Shop Building	18,539	--	5,999	12,540
2021 Bank Loan - Creekside	399,950	--	13,382	386,568
2021 Bank Loan - Motor Grader	141,997	--	45,532	96,465
Total Direct Borrowings	<u>593,871</u>	<u>--</u>	<u>98,298</u>	<u>495,573</u>
Other Debt:				
2015 Developer Advance to TIF #2	306,578	--	7,066	299,512
2015 Developer Advance to TIF #3	148,086	--	126,085	22,001
2018 Developer Advance to TIF #4	419,390	--	103,631	315,759
2019 Developer Advance to TIF #5	406,894	--	65,236	341,658
2021 Developer Advance to TIF #6	1,492,987	--	22,532	1,470,455
2023 Developer Advance to TIF #7	551,615	--	5,470	546,145
Total Other Debt	<u>3,325,550</u>	<u>--</u>	<u>330,020</u>	<u>2,995,530</u>
Total Governmental Long-Term Debt	<u>\$ 3,919,421</u>	<u>\$ --</u>	<u>\$ 428,318</u>	<u>\$ 3,491,103</u>
Enterprise Long-Term Debt:				
Direct Borrowings:				
2018 Clean Water SRF Revenue Bond	\$ 2,162,863	\$ --	\$ 100,315	\$ 2,062,548
2019 Heartland REDLG Loan	269,963	--	40,008	229,955
2019 Heartland REDLG Loan	202,500	--	30,000	172,500
2021 Bank Loan	55,618	--	17,996	37,622
2021 Bank Loan	29,377	--	9,499	19,878
2021 Clean Water SRF Revenue Bond	1,388,278	--	42,682	1,345,596
2023 Drinking Water SRF Revenue Bond 1	2,568,233	429,477	--	2,997,710
2023 Drinking Water SRF Revenue Bond 2	--	103,865	--	103,865
Total Enterprise Long-Term Debt	<u>\$ 6,676,832</u>	<u>\$ 533,342</u>	<u>\$ 240,500</u>	<u>\$ 6,969,674</u>
Total Long-Term Debt:	<u>\$ 10,596,253</u>	<u>\$ 533,342</u>	<u>\$ 668,818</u>	<u>\$ 10,460,777</u>

City of Volga
 Schedule of Changes in Long-Term Debt (Continued)
 For the Year Ended December 31, 2023

The annual debt service requirements are as follows:

	Principal	Interest
2024	\$ 496,978	\$ 92,688
2025	572,824	204,352
2026	524,459	161,919
2027	519,124	161,076
2028	532,135	148,065
2029-2033	2,304,091	337,533
2034-2038	2,326,593	182,430
2039-2043	1,840,990	109,080
2044-2048	547,581	51,430
2049-2053	605,230	39,163
2054-2055	190,772	14,069
	\$ 10,460,777	\$ 1,501,805

City of Volga
Schedule of the City's Proportionate Share of the Net Pension Asset

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0211520%	0.0194320%	0.0188840%	0.0184043%	0.0193100%	0.0182195%	0.0178045%	0.0181302%	0.0190701%	0.0224904%
City's proportionate share of net pension liability (asset)	\$ (2,065)	\$ (1,837)	\$ (144,619)	\$ (799)	\$ (2,046)	\$ (425)	\$ (1,616)	\$ 61,242	\$ (80,882)	\$ (162,034)
City's covered-employee payroll	\$ 545,589	\$ 464,024	\$ 428,533	\$ 403,917	\$ 410,567	\$ 378,767	\$ 361,750	\$ 344,750	\$ 348,167	\$ 393,300
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.39%	41.54%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

City of Volga
Notes to Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
As of December 31, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

No changes in actuarial methods were made since prior valuation

Actuarial Assumption Changes

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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