

**CITY OF WALL, SOUTH DAKOTA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

# CITY OF WALL

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Wall, South Dakota

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wall, South Dakota (the "City")**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

We conducted our audit 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. 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 audit opinions.

**MADISON OFFICE:** 205 North Egan Ave. | PO Box 505 | Madison, SD 57042 | (605) 256-9165

**YANKTON OFFICE:** 207 Douglas Ave. | PO Box 1018 | Yankton, SD 57078 | (605) 665-4401

**SIOUX FALLS OFFICE:** 3600 S Westport, Suite 101 | Sioux Falls, SD 57106 | (605) 336-0372

**EMAIL:** [wrc@wrccpa.com](mailto:wrc@wrccpa.com)

**TOLL FREE:** 1-800-456-0889

**FAX #:** (605) 665-0592



## **Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 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 opinions are not modified with respect to that matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 also 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 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 judgement, 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.

## **Other Matters**

### *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, the schedule of the City's proportionate share of the net pension liability (asset), the schedule of the City's contributions, the schedule of changes in long term debt, and the combining schedules of the non-major funds financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 State of America. In our opinion, the budgetary comparison schedule, the schedule of the City's proportionate share of the net pension liability (asset), the city's schedule of contributions, the schedule of changes in long-term debt, and the combining schedules of the non-major funds financial statements are 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 September 26, 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 the City's internal control over financial reporting and compliance.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
September 26, 2024

**CITY OF WALL**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2023

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 701,695	\$ 652,186	\$ 1,353,881
Certificates of deposit	<u>1,013,797</u>	<u>640,000</u>	<u>1,653,797</u>
		-	
Total assets	<u>1,715,492</u>	<u>1,292,186</u>	<u>3,007,678</u>
<b>NET POSITION</b>			
Restricted for:			
Conservation and development	312,733	-	312,733
Shearer addition	8,126	-	8,126
Clinic	26,061	-	26,061
Customer deposits	-	3,950	3,950
Unrestricted	<u>1,368,572</u>	<u>1,288,236</u>	<u>2,656,808</u>
Total net position	<u>\$ 1,715,492</u>	<u>\$ 1,292,186</u>	<u>\$ 3,007,678</u>

The accompanying notes are an  
integral part of these financial statements



**CITY OF WALL**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 511,552	\$ 17,138	\$ -	\$ (494,414)		\$ (494,414)
Public safety	325,372	16,468	24,314	(284,590)		(284,590)
Public works	6,806,028	79,253	4,066,980	(2,659,795)		(2,659,795)
Health and welfare	111,440	-	-	(111,440)		(111,440)
Culture and recreation	373,871	2,817	18,161	(352,893)		(352,893)
Conservation and development	236,321	-	-	(236,321)		(236,321)
Interest on long-term debt	12,209	-	-	(12,209)		(12,209)
Total governmental activities	<u>8,376,793</u>	<u>115,676</u>	<u>4,109,455</u>	<u>(4,151,662)</u>		<u>(4,151,662)</u>
Business-type activities:						
Water	870,591	295,829	-		\$ (574,762)	(574,762)
Solid waste	432,765	213,161	-		(219,604)	(219,604)
Waste water	163,628	126,044	-		(37,584)	(37,584)
Total business-type activities	<u>1,466,984</u>	<u>635,034</u>	<u>-</u>		<u>(831,950)</u>	<u>(831,950)</u>
Total primary government	<u>\$ 9,843,777</u>	<u>\$ 750,710</u>	<u>\$ 4,109,455</u>		<u>(831,950)</u>	<u>(831,950)</u>
General receipts:						
Taxes:						
Property taxes				375,663	-	375,663
Sales taxes				1,810,232	-	1,810,232
State and county shared receipts				11,079	-	11,079
Unrestricted investment earnings				57,708	5,304	63,012
Debt issued				1,096,454	-	1,096,454
Miscellaneous				135,572	-	135,572
Transfers				(679,449)	679,449	-
Total general receipts and transfers				<u>2,807,259</u>	<u>684,753</u>	<u>3,492,012</u>
Change in net position				(1,344,403)	(147,197)	(1,491,600)
Net position - beginning				<u>3,059,895</u>	<u>1,439,383</u>	<u>4,499,278</u>
Net position - ending				<u>\$ 1,715,492</u>	<u>\$ 1,292,186</u>	<u>\$ 3,007,678</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

**BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<u>Major</u>		<u>Non-Major</u>	
	General Fund	Liquor Lodging and Dining Tax	Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 106,304	\$ 275,600	\$ 319,791	\$ 701,695
Certificates of deposit	874,433	37,133	102,231	1,013,797
Due from other funds	<u>67,000</u>	<u>-</u>	<u>-</u>	<u>67,000</u>
Total assets	<u>\$ 1,047,737</u>	<u>\$ 312,733</u>	<u>\$ 422,022</u>	<u>\$ 1,782,492</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 67,000	\$ 67,000
Total liabilities	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
<b>Fund balances</b>				
Restricted:				
Conservation and development	-	312,733	-	312,733
Shearer Addition	8,126	-	-	8,126
Clinic	26,061	-	-	26,061
Assigned:				
Airport	251,717	-	-	251,717
Fire department	-	-	118,958	118,958
Library	-	-	93,060	93,060
Cemetery	-	-	143,004	143,004
Next year's budget	790	-	-	790
Unassigned	<u>761,043</u>	<u>-</u>	<u>-</u>	<u>761,043</u>
Total fund balances	<u>1,047,737</u>	<u>312,733</u>	<u>355,022</u>	<u>1,715,492</u>
Total fund balances	<u>\$ 1,047,737</u>	<u>\$ 312,733</u>	<u>\$ 422,022</u>	<u>\$ 1,782,492</u>

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integral part of these financial statements

**CITY OF WALL**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023**

	<u>Major</u>		<u>Non-Major</u>	
	General	Liquor Lodging and Dining Tax	Governmental	Total
	Fund		Funds	Governmental Funds
<b>RECEIPTS</b>				
Taxes	\$ 1,995,894	\$ 190,001	\$ -	\$ 2,185,895
Licenses and permits	17,138	-	-	17,138
Intergovernmental revenue	3,969,436	-	18,161	3,987,597
Charges for goods and services	77,270	-	-	77,270
Fines and fees	-	-	21,268	21,268
Miscellaneous	<u>259,635</u>	<u>6,258</u>	<u>51,698</u>	<u>317,591</u>
Total receipts	<u>6,319,373</u>	<u>196,259</u>	<u>91,127</u>	<u>6,606,759</u>
<b>DISBURSEMENTS</b>				
General government	277,931	-	-	277,931
Public safety	192,373	-	78,666	271,039
Public works	1,274,602	-	6,687	1,281,289
Health and welfare	96,000	-	-	96,000
Culture and recreation	294,175	-	46,999	341,174
Conservation and development	95,264	110,500	-	205,764
Debt service:				
Principal	15,440	30,557	18,474	64,471
Interest	-	4,056	8,153	12,209
Capital outlay	<u>5,791,057</u>	<u>-</u>	<u>35,859</u>	<u>5,826,916</u>
Total disbursements	<u>8,036,842</u>	<u>145,113</u>	<u>194,838</u>	<u>8,376,793</u>
Excess (deficiency) of receipts over disbursements	<u>(1,717,469)</u>	<u>51,146</u>	<u>(103,711)</u>	<u>(1,770,034)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	17,540	-	82,261	99,801
Transfers out	(779,250)	-	-	(779,250)
Debt proceeds	1,096,454	-	-	1,096,454
Proceeds from the sale of property	6,500	-	-	6,500
Compensation for loss or damage	<u>2,126</u>	<u>-</u>	<u>-</u>	<u>2,126</u>
Total other financing sources (uses)	<u>343,370</u>	<u>-</u>	<u>82,261</u>	<u>425,631</u>
Net change in fund balances	(1,374,099)	51,146	(21,450)	(1,344,403)
Fund balances - beginning	<u>2,421,836</u>	<u>261,587</u>	<u>376,472</u>	<u>3,059,895</u>
Fund balances - ending	<u>\$ 1,047,737</u>	<u>\$ 312,733</u>	<u>\$ 355,022</u>	<u>\$ 1,715,492</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2023

	Enterprise Funds			
	Major			Total
	Water	Waste Water	Solid Waste	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 393,324	\$ 69,542	\$ 189,320	\$ 652,186
Certificates of deposit	<u>230,000</u>	<u>260,000</u>	<u>150,000</u>	<u>640,000</u>
Total assets	<u>623,324</u>	<u>329,542</u>	<u>339,320</u>	<u>1,292,186</u>
<b>NET POSITION</b>				
Restricted	3,950	-	-	3,950
Unrestricted	<u>619,374</u>	<u>329,542</u>	<u>339,320</u>	<u>1,288,236</u>
Total net position	<u>\$ 623,324</u>	<u>\$ 329,542</u>	<u>\$ 339,320</u>	<u>\$ 1,292,186</u>

The accompanying notes are an  
 integral part of these financial statements

**CITY OF WALL**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds			
	Major			Total
	Water	Waste Water	Solid Waste	
<b>OPERATING RECEIPTS</b>				
Charges for goods and services	\$ 295,829	\$ 213,161	\$ 113,755	\$ 622,745
Other operating receipts	-	-	12,289	12,289
Total operating receipts	<u>295,829</u>	<u>213,161</u>	<u>126,044</u>	<u>635,034</u>
<b>OPERATING DISBURSEMENTS</b>				
Personal services	49,668	37,217	33,912	120,797
Cost and materials	694,986	284,585	89,514	1,069,085
Other current expenses	110,367	21,293	24,632	156,292
Capital outlay	15,570	89,670	15,570	120,810
Total operating disbursements	<u>870,591</u>	<u>432,765</u>	<u>163,628</u>	<u>1,466,984</u>
Operating (loss) income	<u>(574,762)</u>	<u>(219,604)</u>	<u>(37,584)</u>	<u>(831,950)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>				
Interest income	<u>482</u>	<u>965</u>	<u>3,857</u>	<u>5,304</u>
Total nonoperating receipts (disbursements)	<u>482</u>	<u>965</u>	<u>3,857</u>	<u>5,304</u>
Transfer in	696,989	-	-	696,989
Transfer out	<u>(17,540)</u>	<u>-</u>	<u>-</u>	<u>(17,540)</u>
Total Transfers	<u>679,449</u>	<u>-</u>	<u>-</u>	<u>679,449</u>
Change in net position	105,169	(218,639)	(33,727)	(147,197)
Net position - beginning	<u>518,155</u>	<u>548,181</u>	<u>373,047</u>	<u>1,439,383</u>
Net position - ending	<u>\$ 623,324</u>	<u>\$ 329,542</u>	<u>\$ 339,320</u>	<u>\$ 1,292,186</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF WALL**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds			
	Major			
	Water	Waste Water	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 295,829	\$ 213,161	\$ 126,044	\$ 635,034
Payments to suppliers	(820,923)	(395,548)	(129,716)	(1,346,187)
Payments to employees	(49,668)	(37,217)	(33,912)	(120,797)
Net cash provided by (used in) operating activities	(574,762)	(219,604)	(37,584)	(831,950)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	696,989	-	-	696,989
Transfer out	(17,540)	-	-	(17,540)
Net cash provided by (used in) noncapital financing activities	679,449	-	-	679,449
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	482	965	3,857	5,304
Purchase of certificates of deposit	(230,000)	(260,000)	(150,000)	(640,000)
Net cash provided by (used in) investing activities	(229,518)	(259,035)	(146,143)	(634,696)
Net change in cash and cash equivalents	(124,831)	(478,639)	(183,727)	(787,197)
Balances - beginning of the year	518,155	548,181	373,047	1,439,383
Balances - end of the year	\$ 393,324	\$ 69,542	\$ 189,320	\$ 652,186
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (574,762)	\$ (219,604)	\$ (37,584)	\$ (831,950)
Net cash provided by (used in) operating activities	\$ (574,762)	\$ (219,604)	\$ (37,584)	\$ (831,950)

The accompanying notes are an  
 integral part of these financial statements

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Reporting Entity**

The reporting entity of the City of Wall (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.

##### **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. These statements 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 receipts, and other non-exchange receipts. 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 disbursements and program receipts for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

###### *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, receipts, and disbursements. The funds of the City 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, receipts, or disbursements 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, receipts, or disbursements 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 City 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 and report the proceeds of specific receipt sources (other than expendable trusts or major capital projects) that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The City has the following special revenue funds:



## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

##### *Fund Financial Statements, continued:*

##### Governmental Funds, continued:

Liquor, Lodging and Dining Gross Receipts Tax Fund - to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

Fire Department Fund - To account for all financial resources of the fire department. Activities are financed through services provided by the department, donations, and other sources. This is not a major fund.

Cemetery Fund - To account for all financial resources of the cemetery. Activities are financed through cemetery services, donations, and other sources. This is not a major fund.

Library Fund - To account for all financial resources of the library. Activities are financed through library fees, donations, and other sources. This is not 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 are met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

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

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Basis of Presentation, continued**

###### *Fund Financial Statements, continued:*

###### *Proprietary Funds, continued:*

- b. Laws or regulations require that the activity's costs of providing services, including costs (such as 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 costs (such as 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. This is a major fund.

Waste Water Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. This is a major fund.

Solid Waste Fund - Financed primarily by user charges. This fund accounts for the construction and operation of the city solid waste system and related facilities. This is a major fund.

##### **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" receipts and disbursements are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

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

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Measurement Focus and Basis of Accounting, continued**

###### Measurement Focus:

###### *Government-wide Financial Statements:*

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

###### Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet/statement of net position reports only cash and cash equivalents and certificates of deposit, and investments. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements include:

- a. The recording of certificates of deposit arising from cash transactions. Certificates of deposit are not included in cash and cash equivalents.
- b. The recording of assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Measurement Focus and Basis of Accounting, continued**

###### **Basis of Accounting, continued:**

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 accounting principles generally accepted in the United States, 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.

##### **Interfund Eliminations and Reclassifications**

###### *Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

##### **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 except for certificates of deposit. 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.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **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.

As discussed above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. The 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.

##### **Long-Term Liabilities**

Long-term liabilities include, but are not limited to, notes payable.

As discussed above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions, so any outstanding indebtedness is not reported on the financial statements of the City.

The City reports the principal and interest payments on long-term debt as Debt Service disbursements on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis. On the Statement of Activities, the principal portion of the 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 Long-Term Debt.

##### **Revenue Received in Advance**

Under the modified cash basis of accounting, cash may have been received in advance of the City providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Program Receipts**

Program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified 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.

##### **Proprietary Funds Receipts and Disbursements Classifications**

Operating receipts and disbursements for proprietary revenues and expenses are classified as operating or non-operating revenues and expenses. Operating receipts and disbursements directly relate to the purpose of the fund.

##### **Equity Classifications**

###### *Government-wide Financial Statements:*

Equity is classified as net position and is displayed in two components under the modified cash basis:

*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.

*Unrestricted net position* - All other net position that does not meet the definition of "restricted."

The City uses restricted amounts first when both restricted and unrestricted net position is available unless there are legal documents or contracts that prohibit doing so, such as a grant agreement requiring dollar-for-dollar spending.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Equity Classifications, continued**

###### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinances of the City Council.

*Assigned* - Amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. The City Council assigns amounts through approved Council actions that occur during City Council meetings.

*Unassigned* - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

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

The City does not have a formal minimum fund balance policy. Proprietary fund equity is classified the same as in the government-wide financial statements.

##### **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 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 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 WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 2. DEPOSITS AND INVESTMENTS

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. All governmental and proprietary funds essentially have access to the entire amount of their cash resources on demand. 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 public 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 Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (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 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); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires 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.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. As of December 31, 2023, the City’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Investments** – As of December 31, 2023, the City had no investments.

**Authorized Investments by the City** – The City has adopted a formal investment policy. It does not further limit investments beyond those imposed by statutes.



## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 2. DEPOSITS AND INVESTMENTS, continued

**Credit Risk** – State law limits eligible investments for the City, as discussed above. The City has adopted a formal investment policy. It does not further limit its investment choices.

**Concentration of Credit Risk** – The City has adopted a formal investment policy. It places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The City has adopted a formal investment policy. It does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It does require at least an amount equal to a historical average of two months worth of City expenditures be accessible for use by the City in one day's notice

**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. INTERFUND ACTIVITY

Interfund receivables and payables for the year ended December 31, 2023 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<i>Governmental activities:</i>		
General Fund:		
Cemetery Fund	<u>\$ 67,000</u>	<u>\$ -</u>
Cemetery Fund:		
General Fund	<u>-</u>	<u>67,000</u>
<i>Total governmental activities</i>	<u>67,000</u>	<u>67,000</u>
<i>Total primary government</i>	<u>\$ 67,000</u>	<u>\$ 67,000</u>

The interfund receivable and payable is due to a transfer between bank accounts that was entered in error. The error was corrected in March of 2024.

# CITY OF WALL

## NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

### 3. INTERFUND ACTIVITY, continued

Interfund transfers for the year ended December 31, 2023 were as follows:

	Transfers To	Transfers From
<i>Governmental activities:</i>		
General Fund:		
Fire Department Fund	\$ 58,800	\$ -
Library Fund	18,161	-
Cemetery Fund	5,300	-
Water Fund	696,989	17,540
	<u>779,250</u>	<u>17,540</u>
Fire Department Fund:		
General Fund	-	58,800
Library Fund:		
General Fund	-	18,161
Cemetery Fund:		
General Fund	-	5,300
<i>Total governmental activities</i>	<u>779,250</u>	<u>99,801</u>
<i>Business-type activities:</i>		
Water Fund:		
General Fund	17,540	696,989
<i>Total business-type activities</i>	<u>17,540</u>	<u>696,989</u>
<i>Total primary government</i>	<u>\$ 796,790</u>	<u>\$ 796,790</u>

Activity includes transfers between the General Fund and the Fire Department Fund, Library Fund, Cemetery Fund and Water Fund are budgeted to conduct the indispensable functions of the City.

The transfer from the General Fund to the Water Fund was to assist with funding of capital projects.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **4. PENSION PLAN**

##### **Plan Information**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a cost sharing, multiple employer hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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's 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 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 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.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 4. PENSION PLAN, continued

##### **Benefits Provided, 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.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 4. PENSION PLAN, continued

##### 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 City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022 and 2021 was \$22,102, \$19,042, and \$18,401, respectively, equal to the required contributions each year.

##### Pension (Asset)/Liability

At June 30, 2023, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate shares 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 pension liability	\$1,854,809
Less proportionate share of net pension restricted for pension benefits	<u>1,856,058</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,249)</u>

At December 31, 2023, the City had an (asset)/liability of (\$1,249) for its proportionate share of the net pension (asset)/liability. The net pension (asset)/liability was measured as of June 30, 2023 and the total pension (asset)/liability used to calculate the net pension (asset)/liability 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 0.01280000% which was an decrease of (0.0003560%) from its proportion measured as of June 30, 2022.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 4. PENSION PLAN, continued

##### **Actuarial Assumptions**

The total pension liability/(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 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 pension 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
- 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 of July 1, 2016 to June 30, 2022.

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 4. PENSION PLAN, continued

##### **Actuarial Assumptions, continued**

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<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	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	<u>1.9%</u>	0.8%
Total	<u>100%</u>	

##### **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 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).

## CITY OF WALL

### NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 4. PENSION PLAN, continued

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 256,070	\$ (1,249)	\$ (211,688)

##### **Pension Plan Fiduciary Net Position**

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

#### 5. RESTRICTED NET POSITION

The following table shows restricted net position and the purpose for such restriction as presented in the statement of net position – modified cash basis:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
City promotion	State Law	\$ 312,733
Restricted use	Agreement	34,187
Customer deposits held	State Law	<u>3,950</u>
		<u><u>\$ 350,870</u></u>

#### 6. CONTRACTS

The City is party to a contract agreement for solid waste collection. The contract requires the City to make payments to the contractor on a monthly basis based on the unit prices agreed upon by each party. Total payments on this contract during the year ended December 31, 2023 were \$89,514. This contract will remain in effect until June 30, 2024.



## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **6. CONTRACTS, continued**

The City is party to a contract agreement with Monument Health Rapid City Hospital, Inc., a South Dakota nonprofit corporation, to lease the Wall Clinic and associated property. The lease does not require a payment as long as Regional Health Physicians, Inc. operates as a non-profit organization. The agreement automatically renews for successive five year terms unless one party notifies the other of its intention to terminate the lease. The City holds title to the property, building and some equipment.

The City is party to a contract agreement with the Pennington County Sheriff's Office, State of South Dakota, to provide law enforcement services. The contract requires the City to make payments to the contractor on a quarterly basis. Total payments on this contract during the year ended December 31, 2023 were \$92,373. This contract will remain in effect until January 1, 2025.

#### **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:

##### **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.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **7. RISK MANAGEMENT, continued**

##### **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 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 City pays an annual premium to the pool to provide coverage for torts, theft of or damage to property, and errors and omissions of public officials

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 has no deductible for the general liability coverage and a \$500 deductible for the errors and omissions of public officials' coverage.

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.

## **CITY OF WALL**

### **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS DECEMBER 31, 2023**

#### **7. RISK MANAGEMENT, continued**

##### **Worker's Compensation**

The City 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

##### **Unemployment Benefits**

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The City has not reserved equity for the payment of future unemployment benefits due to prior claims experience. During the year ended December 31, 2023, no claims for unemployment benefits were paid. At December 31, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

## SUPPLEMENTARY INFORMATION

**CITY OF WALL**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**

GENERAL FUND - PAGE 1 OF 2

YEAR ENDED DECEMBER 31, 2023

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes:				
General property taxes	\$ 379,634	\$ 380,934	\$ 374,454	\$ (6,480)
General sales and use taxes	1,200,000	1,687,000	1,620,231	(66,769)
Penalties and interest on delinquent taxes	500	500	1,209	709
Licenses and permits	14,600	14,600	17,138	2,538
Intergovernmental revenue:				
Federal grants	5,207,000	5,207,000	3,700,376	(1,506,624)
State grants	289,300	289,300	208,340	(80,960)
State shared revenues	26,000	26,000	32,453	6,453
County shared revenues	20,000	20,000	26,771	6,771
Other governmental revenues	1,000	1,000	1,496	496
Charges for goods and services:				
Highways and streets	-	-	74,453	74,453
Culture and recreation	1,800	1,800	2,817	1,017
Miscellaneous revenue:				
Interest earned	6,000	6,000	50,943	44,943
Rentals	21,000	21,000	41,242	20,242
Contributions and donations from private sources	-	-	105,850	105,850
Other	<u>1,700,000</u>	<u>1,700,000</u>	<u>61,600</u>	<u>(1,638,400)</u>
Total receipts	<u>8,866,834</u>	<u>9,355,134</u>	<u>6,319,373</u>	<u>(3,035,761)</u>
<b>DISBURSEMENTS</b>				
General government:				
Legislative	18,350	18,350	14,314	4,036
Contingency	60,000	60,000	-	60,000
(Amount transferred)		-	-	
Elections	1,500	1,500	76	1,424
Financial administration	119,300	119,300	109,199	10,101
Other	603,300	991,600	387,963	603,637
Public safety:				
Police	194,500	194,500	192,373	2,127
Public works:				
Highways and streets	1,740,565	1,740,565	1,421,065	319,500
Airport	6,446,500	6,446,500	5,378,276	1,068,224
Health and welfare:				
Ambulance	111,500	157,500	111,440	46,060
Culture and recreation:				
Recreation	136,400	136,400	100,322	36,078
Parks	112,950	144,950	97,670	47,280
Auditorium	145,293	167,293	128,880	38,413

See Independent Auditor's Report

**CITY OF WALL**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**

GENERAL FUND - PAGE 2 OF 2

YEAR ENDED DECEMBER 31, 2023

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>DISBURSEMENTS, continued</b>				
Conservation and development:				
Economic development and assistance	129,768	129,768	95,264	34,504
Total disbursements	9,819,926	10,308,226	8,036,842	2,271,384
Excess (deficiency) of receipts over disbursements	(953,092)	(953,092)	(1,717,469)	(764,377)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,108,810)	(1,108,810)	(779,250)	329,560
Transfers in	-	-	17,540	17,540
Proceeds from debt issuance	-	-	1,096,454	1,096,454
Proceeds from sale of property	-	-	6,500	6,500
Compensation for loss or damage	-	-	2,126	2,126
Total other financing sources (uses)	(1,108,810)	(1,108,810)	343,370	1,452,180
Net change in fund balances	(2,061,902)	(2,061,902)	(1,374,099)	687,803
Fund balances - beginning	2,421,836	2,421,836	2,421,836	-
Fund balances - ending	\$ 359,934	\$ 359,934	\$ 1,047,737	\$ 687,803

See Independent Auditor's Report

**CITY OF WALL**

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
LIQUOR, LODGING AND DINING TAX FUND  
YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>RECEIPTS</b>				
Taxes:				
General sales and use tax	\$ 145,500	\$ 145,500	\$ 190,001	\$ 44,501
Miscellaneous revenue:				
Interest earned	<u>-</u>	<u>-</u>	<u>6,258</u>	<u>6,258</u>
Total receipts	<u>145,500</u>	<u>145,500</u>	<u>196,259</u>	<u>50,759</u>
<b>DISBURSEMENTS</b>				
Conservation and development:				
Economic development and assistance	<u>145,500</u>	<u>145,500</u>	<u>145,113</u>	<u>387</u>
Total disbursements	<u>145,500</u>	<u>145,500</u>	<u>145,113</u>	<u>387</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>51,146</u>	<u>51,146</u>
Net change in fund balances	-	-	51,146	51,146
Fund balances - beginning	<u>261,587</u>	<u>261,587</u>	<u>261,587</u>	<u>-</u>
Fund balances - ending	<u>\$ 261,587</u>	<u>\$ 261,587</u>	<u>\$ 312,733</u>	<u>\$ 51,146</u>

See Independent Auditor's Report

## **CITY OF WALL**

### **NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS 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 City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual disbursements 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 City Council 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 City Council.

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue fund.
7. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with US GAAP applied within the context of the modified cash basis of accounting present capital outlay disbursement information in a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay disbursement on the Governmental Funds Statement of Receipts, Disbursements and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as a disbursement of the Public Safety/Fire Department function of government, along with all other current Fire Department related disbursements.



**CITY OF WALL**

**SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)**

South Dakota Retirement System

Last 10 Years \*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability/(asset)	0.0095141%	0.0113494%	0.0116678%	0.0129034%	0.0133702%
City's proportionate share of net pension liability (asset)	\$ (40,352)	\$ 38,337	\$ (1,059)	\$ (301)	\$ (1,417)
City's covered-employee payroll	\$ 173,700	\$ 215,817	\$ 237,067	\$ 268,250	\$ 284,278
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.23%	17.76%	0.45%	0.11%	0.50%
Plan fiduciary net position as a percentage of the total pension liability	104.10%	96.89%	100.10%	100.02%	100.09%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
City's proportion of the net pension liability/(asset)	0.0127508%	0.0135450%	0.0131560%	0.0128000%	
City's proportionate share of net pension liability (asset)	\$ (544)	\$ (103,731)	\$ (1,243)	\$ (1,249)	
City's covered-employee payroll	\$ 279,837	\$ 307,351	\$ 314,150	\$ 330,155	
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.19%	33.75%	0.40%	0.38%	
Plan fiduciary net position as a percentage of the total pension liability	100.04%	105.52%	100.10%	100.10%	

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

**CITY OF WALL**

**SCHEDULE OF CONTRIBUTIONS**

**South Dakota Retirement System**

Last 10 Years \*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 14,770	\$ 13,903	\$ 11,451	\$ 16,771	\$ 17,264
Contributions in relation to the contractually required contribution	<u>\$ 14,770</u>	<u>\$ 13,903</u>	<u>\$ 11,451</u>	<u>\$ 16,771</u>	<u>\$ 17,264</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 246,167	\$ 231,717	\$ 190,850	\$ 279,511	\$ 287,734
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contribution	\$ 17,432	\$ 18,401	\$ 19,042	\$ 22,102	
Contributions in relation to the contractually required contribution	<u>\$ 17,432</u>	<u>\$ 18,401</u>	<u>\$ 19,042</u>	<u>\$ 22,102</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered-employee payroll	\$ 290,499	\$ 306,683	\$ 317,360	\$ 367,372	
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.02%	

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report

## **CITY OF WALL**

### **NOTES TO SUPPLEMENTARY INFORMATION - PENSION DECEMBER 31, 2023**

#### **PENSION SCHEDULES**

##### **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 the prior valuation.

##### **Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPIW 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.

# CITY OF WALL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number		Disbursements/ Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
Direct Funding:			
Airport Improvement Program	20.106		
Grant # 3-46-0069-10-2021		\$ 15,417	
Grant # 3-46-0069-10-2021 CRRSAA - COVID 19		1,713	
Grant # 3-46-0069-11-2021 - COVID 19		3,524	
Grant # 3-46-0069-12-2022 - COVID 19		6,681	
Grant # 3-46-0069-13-2022		3,625,409	
Grant # 3-46-0069-14-2022		<u>47,632</u>	
			<u>\$ 3,700,376</u>
Total U.S. Department of Transportation			<u>3,700,376</u>
 Total Federal Funding			 <u>\$ 3,700,376</u>

**Note 1: Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the general government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**Note 2: Summary of Significant Accounting Policies:**

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

**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN LONG-TERM DEBT  
YEAR ENDED DECEMBER 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Notes payable	\$ 440,905	\$ 1,096,455	\$ (64,471)	\$ 1,472,889
Total governmental activities	<u>440,905</u>	<u>1,096,455</u>	<u>(64,471)</u>	<u>1,472,889</u>
Total Primary Government	<u>\$ 440,905</u>	<u>\$ 1,096,455</u>	<u>\$ (64,471)</u>	<u>\$ 1,472,889</u>

Debt payable is comprised of the following:

Notes Payable:

South Dakota Housing Development Authority - Community Housing Development Housing Infrastructure Program - variable interest rate from 1% to 5% changing annually, variable annual payments of \$68,401 to 76,775, final maturity July 2028 Retired by the General Fund	\$ 1,096,455
Local Financial Institution - Community Center/City Hall Remodel - 3.12% interest, \$35,045 annual payment, final maturity September 2026 Retired by the Liquor and Lodging Tax Fund	97,326
Local Financial Institution - Fire Truck - 3.90% interest, \$2,219 monthly payment, final maturity May 2032 Retired by the Fire Department Fund	190,328
REED, Inc. - Ambulance - 0% interest, \$1,287 monthly payment, final maturity September 2029 Retired by the General Fund	<u>88,780</u>
	<u>\$ 1,472,889</u>

Annual Requirement to Amortize Long Term Liabilities  
Governmental Activities

<u>Year Ending December 31,</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 127,320	\$ 17,772	\$ 145,092
2025	119,431	29,035	148,466
2026	115,722	36,065	151,787
2027	79,301	42,199	121,500
2028	935,105	48,619	983,724
2029 - 2032	<u>96,010</u>	<u>5,839</u>	<u>101,849</u>
Total	<u>\$ 1,472,889</u>	<u>\$ 179,529</u>	<u>\$ 1,652,418</u>

See Independent Auditor's Report

**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
BALANCE SHEET - MODIFIED CASH BASIS -  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

	Fire Department	Library	Cemetery	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 118,958	\$ 65,170	\$ 135,663	\$ 319,791
Certificates of deposit	<u>-</u>	<u>27,890</u>	<u>74,341</u>	<u>102,231</u>
Total assets	<u>\$ 118,958</u>	<u>\$ 93,060</u>	<u>\$ 210,004</u>	<u>\$ 422,022</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 67,000	\$ 67,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
<b>Fund balances</b>				
Restricted:				
Conservation and development	-	-	-	-
Assigned:				
Fire department	118,958	-	-	118,958
Library	-	93,060	-	93,060
Cemetery	<u>-</u>	<u>-</u>	<u>143,004</u>	<u>143,004</u>
Total fund balances	<u>118,958</u>	<u>93,060</u>	<u>143,004</u>	<u>355,022</u>
Total liabilities and fund balances	<u>\$ 118,958</u>	<u>\$ 93,060</u>	<u>\$ 210,004</u>	<u>\$ 422,022</u>

See Independent Auditor's Report

**CITY OF WALL**

SUPPLEMENTARY INFORMATION  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023

	Fire Department	Library	Cemetery	Total Nonmajor Funds
<b>RECEIPTS</b>				
Intergovernmental revenue	\$ -	\$ 18,161	\$ -	\$ 18,161
Fines and fees	16,468	-	4,800	21,268
Miscellaneous	48,592	2,806	300	51,698
Total receipts	<u>65,060</u>	<u>20,967</u>	<u>5,100</u>	<u>91,127</u>
<b>DISBURSEMENTS</b>				
Public safety	78,666	-	-	78,666
Public works	-	-	6,687	6,687
Culture and recreation	-	46,999	-	46,999
Conservation and development	-	-	-	-
Debt service:				
Principal	18,474	-	-	18,474
Interest	8,153	-	-	8,153
Capital outlay	35,859	-	-	35,859
Total disbursements	<u>141,152</u>	<u>46,999</u>	<u>6,687</u>	<u>194,838</u>
Excess (deficiency) of receipts over disbursements	<u>(76,092)</u>	<u>(26,032)</u>	<u>(1,587)</u>	<u>(103,711)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,800	18,161	5,300	82,261
Total other financing sources (uses)	<u>58,800</u>	<u>18,161</u>	<u>5,300</u>	<u>82,261</u>
Net change in fund balances	(17,292)	(7,871)	3,713	(21,450)
Fund balances - beginning	<u>136,250</u>	<u>100,931</u>	<u>139,291</u>	<u>376,472</u>
Fund balances - ending	<u>\$ 118,958</u>	<u>\$ 93,060</u>	<u>\$ 143,004</u>	<u>\$ 355,022</u>

See Independent Auditor's Report

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 Honorable Mayor and  
Members of the City Council  
City of Wall, South Dakota

We have audited, in accordance with the 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 Wall, South Dakota (hereinafter referred to as the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2024.

### 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 entity'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 findings and responses as Findings 2023-001, 2023-002, and 2023-003 that we consider 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 the accompanying schedule of audit findings and questioned. The City's response was not subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we express no opinion on it.

### **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 entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
September 26, 2024

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

To the Honorable Mayor and  
Members of the City Council  
City of Wall, South Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited 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 Wall, South Dakota's (hereinafter referred to as the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wohlschlag Ritzman + Co., LLC*

Yankton, South Dakota  
September 26, 2024

## **CITY OF WALL**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023**

#### **FINDINGS – FINANCIAL STATEMENTS AUDIT**

##### **Finding 2022-001                      Lack of Segregation of Duties Material Weakness**

###### *Condition:*

A limited number of office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

###### *Recommendation:*

Management and the City Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. All reconciliations and journal entries should be reviewed by someone other than the staff member primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger. The Council themselves can be involved in the review process. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

###### *Current Status:*

The Finding is repeated as Finding 2023-001.

##### **Finding 2022-002      Financial Statement Preparation Material Weakness**

###### *Condition:*

The auditors were requested to assist management in drafting the financial statements and accompanying notes to the financial statements and the City did not designate an individual with the appropriate skill, knowledge, and expertise to oversee this nonattest service.

###### *Recommendation:*

It is the responsibility of Management and the City Council to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Engagement of a separate accounting firm to assist in the preparation of the annual financial statements could be considered.

**CITY OF WALL**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2023**

**FINDINGS – FINANCIAL STATEMENTS AUDIT, continued**

**Finding 2022-002     Financial Statement Preparation, continued**

*Current Status:*

The Finding is repeated as Finding 2023-002.

**FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no major federal award programs audit findings reported.

**CITY OF WALL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2023**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified (Modified Basis of Accounting)

Internal control over financial reporting:

- Material weakness(es) identified?     X     yes            no
- Significant deficiencies identified?            yes     X     none reported

Noncompliance material to financial  
statements noted?

           yes     X     no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?            yes     X     no
- Significant deficiencies identified?            yes     X     none reported

Type of auditor's report issued on  
compliance for major programs

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance  
2 CFR section 200.516(a)?

           yes     X     no

Identification of major programs:

AL Numbers  
20.106

Name of Federal Program or Cluster  
Airport Improvement Program

Dollar Threshold used to distinguish  
between Type A and Type B Programs:

\$750,000

Auditee qualified as low-risk auditee?

           yes     X     no

## **CITY OF WALL**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2023**

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

**2023-001      Lack of Segregation of Duties  
Repeat of Finding 2022-001  
Material Weakness**

*Condition:*

A limited number of office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

*Criteria:*

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

*Cause:*

Because of the nature and size of the entity, resources are limited to provide adequate levels of control.

*Effect:*

There is an inadequate segregation of duties for these accounting functions. The staff has not divided the various tasks so that one staff member is unable to control a transaction from beginning to end.

*Recommendation:*

Management and the City Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. All reconciliations and journal entries should be reviewed by someone other than the staff member primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger. The Council themselves can be involved in the review process. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.



**CITY OF WALL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2023**

**FINDINGS – FINANCIAL STATEMENT AUDIT, continued**

**Finding 2023-002    Preparation of Financial Statements  
Repeat of Finding 2022-002  
Material Weakness**

*Condition:*

The auditors were requested to assist management in drafting the financial statements and accompanying notes to the financial statements. The City did not designate an individual with the appropriate skill, knowledge, and expertise to oversee this nonattest service.

*Criteria:*

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

*Cause:*

Management and the City Council do not have the resources necessary to provide for the preparation of full disclosure financial statements.

*Effect:*

The disclosures in the financial statements could be incomplete.

*Recommendation:*

It is the responsibility of Management and the City Council to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Engagement of a separate accounting firm to assist in the preparation of the annual financial statements should be considered.

## **CITY OF WALL**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2023**

#### **FINDINGS – FINANCIAL STATEMENT AUDIT, continued**

##### **Finding 2023-003     Bank Reconciliations Material Weakness**

###### *Condition:*

Bank reconciliations are not being performed for all accounts regularly, timely and accurately. Material audit adjustments were proposed relating to allocation and recognition of interest income, transfers, and certificate of deposit purchase.

###### *Criteria:*

According to generally accepted internal control frameworks such as the Committee of Sponsoring Organizations' (COSO) Internal Control Integrated Framework, organizations are required to establish procedures to ensure accurate and timely financial reporting. COSO Principle 10 (Control Activities) emphasizes that management must design control activities, such as account reconciliations, to mitigate risks and ensure accurate financial reporting.

###### *Cause:*

The limited number of staff involved in the reconciliation process does not allow for timely completion and review.

###### *Effect:*

Cash balances could be materially misstated.

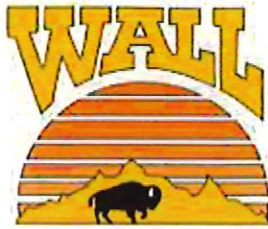
###### *Recommendation:*

Management and the City Council should reevaluate staff requirements to ensure cash reconciliation duties are being performed timely and accurately. These requirements should include an effective review process.

#### **FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There are no major federal award programs audit findings reported.

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**CITY OF WALL**  
501 MAIN STREET • PO BOX 314  
WALL, SOUTH DAKOTA 57790-0314  
(605) 279-2663 • FAX (605) 279-2067  
WALLCITY@GWTC.NET  
WWW.WALLSD.US

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**CORRECTIVE ACTION PLAN (Unaudited)**  
**DECEMBER 31, 2023**

The City of Wall, South Dakota respectfully submits the following corrective action plan for audit findings for the year ended December 31, 2023:

**Findings Related to the Financial Statements**

**Finding 2023-001    Lack of Segregation of Duties**

**Condition:**

A limited number of office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

**Responsible Individuals:**

City Council and Management

**Corrective Action Plan:**

Management agrees with the finding and related recommendations. The City feels with the addition of the Assistant Finance Officer position procedures can be updated to address the lack of segregation of duties.

**Anticipated Completion Date:**

Ongoing analysis

**Finding 2023-002    Preparation of Financial Statements**

**Condition:**

The auditors were requested to assist management in drafting the financial statements and accompanying notes to the financial statements. The City did not designate an individual with the appropriate skill, knowledge, and expertise to oversee this nonattest service.

**Responsible Individuals:**

City Council and Management

**CITY OF WALL**

**CORRECTIVE ACTION PLAN (Unaudited), continued  
DECEMBER 31, 2023**

**Findings Related to the Financial Statements, continued**

**Finding 2023-002 Preparation of Financial Statements, continued**

**Corrective Action Plan:**

Management agrees with the finding and related recommendations. Management does accept the risk associated with the City's auditors drafting the financial statements.

**Anticipated Completion Date:**

Ongoing analysis

**Finding 2023-003 Bank Reconciliations**

**Condition:**

Bank reconciliations are not being performed for all accounts regularly, timely and accurately. Material audit adjustments were proposed relating to allocation and recognition of interest income, transfers, and certificate of deposit purchase.

**Responsible Individuals:**

City Council and Management

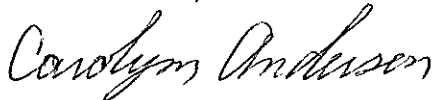
**Corrective Action Plan:**

Management agrees with the finding and related recommendations. The City feels with the addition of the Assistant Finance Officer position procedures can be updated to assist in this area.

**Anticipated Completion Date:**

Ongoing analysis

Very truly yours,  
CITY OF WALL, SOUTH DAKOTA



Carolynn Anderson  
Finance Officer