

CITY OF WHITEWOOD

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

CITY OF WHITEWOOD

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Whitewood
Whitewood, South Dakota

Report on Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Whitewood (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 financial position of the governmental activities, the business-type activities, and each major fund of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinions

We conducted our audits 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 audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 there 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison information, and pension disclosure information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 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.



KETEL THORSTENSON, LLP
Certified Public Accountants

May 7, 2024

CITY OF WHITEWOOD

**STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and Investments	\$ 215,654	\$ 817,139	\$ 1,032,793
Receivables	201,535	52,121	253,656
Restricted Cash and Investments	51,473	61,020	112,493
Net Pension Asset	1,431	412	1,843
Capital Assets:			
Land	220,200	23,253	243,453
Other Capital Assets, Net of Depreciation	3,954,112	3,230,924	7,185,036
TOTAL ASSETS	4,644,405	4,184,869	8,829,274
Deferred Outflows of Resources			
Pension Related Deferred Outflows of Resources	109,735	31,653	141,388
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,754,140	\$ 4,216,522	\$ 8,970,662
Liabilities:			
Accounts Payable	\$ 46,809	\$ 4,004	\$ 50,813
Other Current Liabilities	23,474	43,760	67,234
Noncurrent Liabilities:			
Due Within One Year	159,203	24,390	183,593
Due in More Than One Year	948,012	905,987	1,853,999
TOTAL LIABILITIES	1,177,498	978,141	2,155,639
Deferred Inflows of Resources:			
Pension Related Deferred Inflows of Resources	71,522	20,631	92,153
Net Position:			
Net Investment in Capital Assets	3,083,181	2,324,580	5,407,761
Restricted for:			
Debt Service	138,394	61,020	199,414
Library	36,870	-	36,870
Facilities and Promoting the City	211,695	-	211,695
Pension-SDRS	39,644	18,150	57,794
Unrestricted	(4,664)	814,000	809,336
TOTAL NET POSITION	3,505,120	3,217,750	6,722,870
TOTAL LIABILITIES AND NET POSITION	\$ 4,754,140	\$ 4,216,522	\$ 8,970,662

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	--- Program Revenues ---			Net (Expense) Revenue and		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	----- Changes in Net Position -----		
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 269,373	\$ 17,806	\$ -	\$ -	\$ (251,567)	\$ -	\$ (251,567)
Public Safety	389,045	825	-	-	(388,220)	-	(388,220)
Public Works	304,276	108,235	-	46,997	(149,044)	-	(149,044)
Culture and Recreation	163,607	7,117	59,082	-	(97,408)	-	(97,408)
Conservation and Development	8,719	-	-	-	(8,719)	-	(8,719)
Miscellaneous	282,623	299,224	-	-	16,601	-	16,601
Interest on Long Term Debt	46,412	-	-	-	(46,412)	-	(46,412)
Total Governmental Activities	1,464,055	433,207	59,082	46,997	(924,769)	-	(924,769)
Business-Type Activities:							
Water	338,252	280,961	-	-	-	(57,291)	(57,291)
Sewer	194,775	252,751	-	-	-	57,976	57,976
Total Business-Type Activities	533,027	533,712	-	-	-	685	685
Total Primary Government	\$ 1,997,082	\$ 966,919	\$ 59,082	\$ 46,997	(924,769)	685	(924,084)
General Revenues:							
Taxes:							
Property Taxes					409,467	-	409,467
Sales Taxes					404,348	-	404,348
State Shared Revenue					8,735	-	8,735
Unrestricted Investment Earnings					7,218	4,582	11,800
Miscellaneous Revenue					308,114	-	308,114
Total General Revenue					1,137,882	4,582	1,142,464
Change in Net Position					213,113	5,267	218,380
Net Position, Beginning					3,292,007	3,212,483	6,504,490
Net Position, Ending					\$ 3,505,120	\$ 3,217,750	\$ 6,722,870

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Library Fund	Additional Sales Tax Fund	Economic Development Fund
Assets				
101 Cash and Investments	\$ 13,300	\$ 45,588	\$ 24,755	\$ 119,509
107 Restricted Cash and Investments	16,718	-	-	-
108 Property Taxes Receivable	2,669	-	-	-
115 Accounts Receivable	51,966	-	-	-
121 Special Assessments Receivable - Current	-	-	-	-
123 Special Assessments Receivable - Deferred	-	-	-	-
128 Notes Receivable	-	-	-	68,086
131 Advance to Other Funds	85,177	-	-	-
132 Due From Federal/State Government	2,278	-	-	-
Total Assets	\$ 172,108	\$ 45,588	\$ 24,755	\$ 187,595
Liabilities, Deferred Inflows of Resources and Fund Balances				
<i>Liabilities</i>				
202 Accounts Payable	\$ 44,011	\$ 24	\$ 655	\$ -
208 Advance From General Fund	-	7,668	-	-
216 Accrued Wages Payable	20,198	1,026	-	-
220 Customer Deposits	2,250	-	-	-
Total Liabilities	66,459	8,718	655	-
<i>Deferred Inflows of Resources</i>				
246 Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
<i>Fund Balances (Deficit):</i>				
<i>Nonspendable Fund Balances</i>				
263.01 Interfund Advance	85,177	-	-	-
<i>Restricted Fund Balances</i>				
264.01 Debt Service	16,718	-	-	-
264.04 Facilities and Promoting the City	-	-	24,100	187,595
264.05 Library	-	36,870	-	-
<i>Committed Fund Balances</i>				
265.04 Street/Sidewalk and Park Improvements	61,396	-	-	-
<i>Assigned Fund Balances</i>				
266.01 Subsequent Years Budget	16,000	-	-	-
267.00 Unassigned Fund Balances	(73,642)	-	-	-
Total Fund Balances (Deficit)	105,649	36,870	24,100	187,595
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 172,108	\$ 45,588	\$ 24,755	\$ 187,595

The accompanying notes are an integral part of the financial statements.

Special Assessment Debt Service Fund	TIF #2 Debt Service Fund	Total Governmental Funds
\$ -	\$ 12,502	\$ 215,654
34,755	-	51,473
-	-	2,669
-	-	51,966
10,887	-	10,887
65,649	-	65,649
-	-	68,086
-	-	85,177
-	-	2,278
\$ 111,291	\$ 12,502	\$ 553,839
\$ -	\$ 2,119	\$ 46,809
77,509	-	85,177
-	-	21,224
-	-	2,250
77,509	2,119	155,460
76,538	-	76,538
76,538	-	76,538
-	-	85,177
34,755	10,383	61,856
-	-	211,695
-	-	36,870
-	-	61,396
-	-	16,000
(77,511)	-	(151,153)
(42,756)	10,383	321,841
\$ 111,291	\$ 12,502	\$ 553,839

CITY OF WHITEWOOD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds	\$ 321,841
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,174,312
Pension related deferred outflows are components of pension liability and therefore are not reported in the funds.	109,735
Long-term liabilities, including bonds payable, tax increment financing obligations, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,107,215)
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	1,431
Assets, such as special assessments receivable, are not available to pay for current period expenditures and therefore are deferred in the funds.	76,538
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	(71,522)
Total Net Position - Governmental Funds	\$ 3,505,120

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Revenue	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>
<i>Taxes:</i>				
311 General Property Taxes	\$ 297,101	\$ -	\$ -	\$ -
313 General Sales and Use Taxes	370,481	-	33,867	-
319 Penalties and Interest on Delinquent Taxes	505	-	-	-
320 Licenses and Permits	17,806	-	-	-
<i>Intergovernmental Revenue:</i>				
330 Intergovernmental Revenue	3,894	55,188	-	-
334 State Grants	1,785	-	-	-
331 Federal Grants	28,777	-	-	-
<i>State Shared Revenue:</i>				
335.01 Bank Franchise Tax	2,658	-	-	-
335.03 Liquor Tax Reversion	6,077	-	-	-
335.04 Motor Vehicle Licenses	13,782	-	-	-
335.08 Local Government Highway and Bridge Fund	13,186	-	-	-
<i>Charges for Goods and Services:</i>				
344 Sanitation	72,507	-	-	-
345 Health	70	-	-	-
346 Culture and Recreation	4,793	2,254	-	-
349 Other	8,760	-	-	-
<i>Fines and Forfeits:</i>				
351 Court Fines and Costs	525	-	-	-
359 Other	300	-	-	-
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	2,369	2,486	2,291	72
363 Special Assessments	13,240	-	-	-
368 Liquor Operating Agreement Income	299,224	-	-	-
369 Miscellaneous Revenue	16,003	-	-	761
Total Revenue	1,173,843	59,928	36,158	833

Special Assessment Debt Service Fund	TIF #2 Debt Service Fund	Total Governmental Funds
\$ -	\$ 111,861	\$ 408,962
-	-	404,348
-	-	505
-	-	17,806
-	-	59,082
-	-	1,785
-	-	28,777
-	-	2,658
-	-	6,077
-	-	13,782
-	-	13,186
-	-	72,507
-	-	70
-	-	7,047
-	-	8,760
-	-	525
-	-	300
-	-	7,218
15,184	-	28,424
-	-	299,224
-	-	16,764
<u>15,184</u>	<u>111,861</u>	<u>1,397,807</u>

CITY OF WHITEWOOD

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>
Expenditures				
<i>General Government:</i>				
411 Legislative	122,381	-	-	-
412 Executive	7,105	-	-	-
414 Financial Administration	71,099	-	-	-
419 Other	51,087	-	-	-
<i>Public Safety:</i>				
421 Police	329,124	-	-	-
423 Protective Inspection	13,583	-	-	-
<i>Public Works:</i>				
431 Highway and Streets	116,777	-	-	-
432 Sanitation	67,361	-	-	-
<i>Culture and Recreation:</i>				
452 Parks	87,190	-	-	-
455 Library	-	69,844	-	-
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	-	-	6,555	-
470 Debt Service	669,725	-	-	-
485 Capital Outlay	396,329	8,901	3,964	-
<i>Miscellaneous:</i>				
499 Liquor Operating Agreements	282,623	-	-	-
Total Expenditures	2,214,384	78,745	10,519	-
Other Financing Sources				
391.04 Compensation for Loss	291,350	-	-	-
391 Transfers Out	(16,411)	-	-	-
391.2 Long-Term Debt Issued	776,733	-	-	-
511 Transfers In	-	-	-	-
Total Other Financing Sources	1,051,672	-	-	-
Net Change in Fund Balances (Deficit)	11,131	(18,817)	25,639	833
Fund Balances (Deficit) - December 31, 2022	94,518	55,687	(1,539)	186,762
Fund Balances (Deficit) - December 31, 2023	\$ 105,649	\$ 36,870	\$ 24,100	\$ 187,595

The accompanying notes are an integral part of the financial statements.

Special Assessment Debt Service Fund	TIF #2 Debt Service Fund	Total Governmental Funds
-	-	122,381
-	-	7,105
-	-	71,099
-	-	51,087
-	-	329,124
-	-	13,583
-	-	116,777
-	-	67,361
-	-	87,190
-	-	69,844
-	-	6,555
31,595	111,465	812,785
-	-	409,194
-	-	282,623
<u>31,595</u>	<u>111,465</u>	<u>2,446,708</u>
-	-	291,350
-	-	(16,411)
-	-	776,733
16,411	-	16,411
<u>16,411</u>	<u>-</u>	<u>1,068,083</u>
-	396	19,182
(42,756)	9,987	302,659
<u>\$ (42,756)</u>	<u>\$ 10,383</u>	<u>\$ 321,841</u>

CITY OF WHITEWOOD

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

Net change in fund balances - total governmental funds \$ 19,182

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Capital Assets Purchases Capitalized	409,194
Depreciation Expense	(178,832)
	<hr/>
	230,362

Governmental funds report special assessments as revenue when available, but the Statement of Activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises. (11,989)

Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds. 21,613

Pension expense reported in the Statement of Activities does not require the use of current financial resources and are not reported as expenditures in the governmental funds. (32,184)

Borrowings on long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the Statement of Net Position. (776,733)

Repayment of bond principal and tax increment financing are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 766,373

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures. (3,511)

Change in Net Position of Governmental Activities \$ 213,113

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current Assets			
101 Cash and Investments	\$ 409,651	\$ 407,488	\$ 817,139
107 Restricted Cash and Investments	48,336	12,684	61,020
115 Accounts Receivable	19,441	20,564	40,005
117 Unbilled Accounts Receivable	6,482	5,634	12,116
200 Net Pension Asset	242	170	412
Total Current Assets	484,152	446,540	930,692
Capital Assets:			
160 Land	-	23,253	23,253
162 Buildings	664,728	845,641	1,510,369
163 Accumulated Depreciation - Buildings	(274,761)	(836,165)	(1,110,926)
164 Improvements Other Than Buildings	2,918,890	1,699,109	4,617,999
165 Accumulated Depreciation - Improvements Other than Buildings	(1,201,406)	(710,352)	(1,911,758)
166 Machinery and Equipment	138,960	240,635	379,595
167 Accumulated Depreciation - Machinery and Equipment	(104,499)	(149,856)	(254,355)
Total Noncurrent Assets	2,141,912	1,112,265	3,254,177
Deferred Outflows of Resources			
196 Pension Related Deferred Outflows	18,592	13,061	31,653
Total Assets and Deferred Outflows of Resources	\$ 2,644,656	\$ 1,571,866	\$ 4,216,522

The accompanying notes are an integral part of the financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
202 Accounts Payable	\$ 1,907	\$ 2,097	\$ 4,004
205 Current Portion of Long-Term Debt	17,282	6,328	23,610
215 Accrued Interest Payable	2,252	-	2,252
216 Accrued Wages Payable	2,433	1,707	4,140
220 Customer Deposits	20,387	16,981	37,368
233 Accrued Leave Payable	543	237	780
Total Current Liabilities	44,804	27,350	72,154
Deferred Inflows of Resources			
248 Pension Related Deferred Inflows	12,118	8,513	20,631
Long-Term Liabilities			
237 Long-Term Debt, Net of Current Portion	700,098	205,889	905,987
Total Liabilities	757,020	241,752	998,772
Net Position			
253.1 Net Investment in Capital Assets	1,424,532	900,048	2,324,580
253.2 Restricted for Debt Service	48,336	12,684	61,020
264 Restricted for Pension	6,716	11,434	18,150
252 Unrestricted Net Position	408,052	405,948	814,000
Total Net Position	1,887,636	1,330,114	3,217,750
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,644,656	\$ 1,571,866	\$ 4,216,522

CITY OF WHITEWOOD

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenue			
380 Charges for Goods and Services	\$ 280,961	\$ 252,751	\$ 533,712
Total Operating Revenue	280,961	252,751	533,712
Operating Expenses			
410 Personal Services	92,988	67,860	160,848
420 Other Current Expense	127,514	52,377	179,891
457 Depreciation	85,957	67,995	153,952
Total Operating Expenses	306,459	188,232	494,691
Operating Income (Loss)	(25,498)	64,519	39,021
Non-Operating Income (Expense)			
361 Gain on Deposits and Investments	2,291	2,291	4,582
470 Interest Expense and Fiscal Charges	(31,793)	(6,543)	(38,336)
Total Non-Operating Income (Expense)	(29,502)	(4,252)	(33,754)
Change in Net Position	(55,000)	60,267	5,267
Net Position - December 31, 2022	1,942,636	1,269,847	3,212,483
Net Position - December 31, 2023	\$ 1,887,636	\$ 1,330,114	\$ 3,217,750

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 287,546	\$ 251,230	\$ 538,776
Payments to Suppliers	(128,480)	(53,417)	(181,897)
Payments to Employees	(92,649)	(68,095)	(160,744)
Net Cash Flows Provided by Operating Activities	66,417	129,718	196,135
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(28,906)	(14,696)	(43,602)
Principal Paid on Capital Debt	(16,550)	(6,153)	(22,703)
Interest Paid	(31,793)	(6,543)	(38,336)
Net Cash Flows Used in Capital and Related Financing Activities	(77,249)	(27,392)	(104,641)
Cash Flows Provided by Investing Activities:			
Gain on Deposit and Investments	2,291	2,291	4,582
Increase (Decrease) in Cash and Investments	(8,541)	104,617	96,076
Cash and Investments - December 31, 2022	466,528	315,555	782,083
Cash and Investments - December 31, 2023	\$ 457,987	\$ 420,172	\$ 878,159
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities			
Operating Income (Loss)	\$ (25,498)	\$ 64,519	\$ 39,021
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</i>			
Depreciation Expense	85,957	67,995	153,952
<i>Change in Assets and Liabilities:</i>			
Accounts Receivable and Unbilled Accounts Receivable	6,285	(1,670)	4,615
Pension Asset	(50)	(43)	(93)
Pension Related Deferred Outflows	(1,129)	(1,459)	(2,588)
Pension Related Deferred Inflows	960	1,100	2,060
Accounts Payable	(966)	(1,040)	(2,006)
Accrued Wages Payable	1,374	1,003	2,377
Customer Deposits	300	149	449
Accrued Leave Payable	(816)	(836)	(1,652)
Net Cash Flows Provided by Operating Activities	\$ 66,417	\$ 129,718	\$ 196,135

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of the City of Whitewood (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal 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.

The City participates in a cooperative unit with Northern Hills Multi-Jurisdictional Drug Task Force. See Note 9 entitled Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

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

Governmental Funds:

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

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

Library Fund – to account for the fines and similar charges deposited into the library board bank account (SDCL 14-2-42). This fund is a major fund.

Additional Sales Tax Fund – to account for an additional one percent gross receipts tax which may be used only for acquisition of land, capital improvement, and promotion of the City. This fund is a major fund.

Economic Development Fund – to account for the CDBG monies received in 1991. The money is used to create revolving loans for economic development purposes. This fund is a major fund.

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

Special Assessment Debt Service Fund – to account for assessment payments from property owners which are used only for the payment of the Special Assessment debt principal, interest, and related cost. This fund is a major fund.

TIF #2 Debt Service Fund – TIF funds are Tax Increment Financing Districts allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted for the payment of principal and interest on debt issued to finance a public improvement. This is a major fund.

Proprietary Funds:

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

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

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

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

Sewer Fund – financed primarily by user charges. This fund accounts for the construction and operation of the City sanitary sewer system and related facilities (SDCL 9-48-2). 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” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified-accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Whitewood, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2023, are property, sales tax and special assessments.

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

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. There are no significant inter-fund utility charges.

Interfund Eliminations

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 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 column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

Capital Assets

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

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

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated acquisition value on the donation date. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Summary of Significant Accounting Policies

Capital Assets

Government-wide Financial Statements:

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -0-	----N/A----	----N/A----
Improvements Other Than Buildings	\$ 10,000	Straight-line	15-75 years
Buildings	\$ -0-	Straight-line	50 years
Machinery and Equipment	\$ 2,500	Straight-line	5-20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of sales tax, revenue bonds, tax increment financing, water, and sewer revenue bonds; special assessment debt; and compensated absences.

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

Program Revenues

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

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

CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Proprietary Funds Revenue and Expense Classifications

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

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 the cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool, including restricted investments, is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

Equity Classifications

Government-wide Financial Statements:

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

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

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

Governmental Funds:

The City classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by action of the Mayor and the City Council.

CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Equity Classifications

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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 Funds:

Proprietary fund equity is classified the same as in the government-wide financial statements.

Inventory

The City maintains no significant amounts of inventory at December 31, 2023.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. City contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Subsequent Events

The City has assessed subsequent events through May 7, 2024, the date which the financial statements were available to be issued.

Emerging Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The statement is effective for the City's year ending December 31, 2024. The City is currently evaluating the impact this statement will have on the financial statements.

CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(1) Summary of Significant Accounting Policies

Emerging Accounting Standards

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued. The statement is effective for the City's year ending December 31, 2025. The City is currently evaluating the impact this statement will have on the financial statements.

Implementation of New Accounting Standards

In 2023, the City implemented the provisions of Governmental Accounting Standards Boards (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement improves accounting and financial reporting for SBITAs; enhances the comparability of financial statements between governments; and also enhances the understandability, reliability, relevance and consistency of information about SBITAs. Adoption did not materially impact the City's financial statements.

(2) Deposits and Investments

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

Deposits – The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation duly 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(2) Deposits and Investments

As of December 31, 2023, the City’s cash consisted only of checking and savings with bank balances as follows:

	<u>Bank Balance</u>
Insured - FDIC	\$ 264,189
Uninsured, collateralized in accordance with SDCL 4-6A-3	597,356
Total Deposits	\$ 861,545

Investments of the City consist of the following at December 31, 2023:

	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market Fund	N/A	N/A	\$ 261,881
Total Investments			\$ 261,881

Credit Risk:

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

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the City’s deposits were exposed to custodial credit risk.

Custodial Credit Risk – Investments:

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

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk:

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

Assignment of Investment Income:

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy per ordinance is to credit all income from investments to the fund making the investment and then transferring the cash to the General Fund for spending purposes, except for the Library Fund.

(3) Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that apply to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. Deferred outflows of resources consist of pension activity.

In addition to liabilities, the Governmental Funds Balance Sheet and Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as inflows of resources until the applicable future period. Deferred inflows of resources consist of special assessments and pension activity.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(4) Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and are payable in two installments before April 30 and October 31 of the following year. The county bills and collects the taxes and remits them to the City. 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.

(5) Long-Term Debt

	Balance 12/31/2022	Earned/ Borrowings	Used/ Repayments	Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Sales Tax Revenue Bonds	\$ 60,409	\$ 628,000	\$ 23,058	\$ 665,351	\$ 38,221
Special Assessment Bonds	178,259	-	24,910	153,349	26,816
Tax Increment Financing Obligations	362,836	-	90,405	272,431	78,082
Interim Loan	479,267	148,733	628,000	-	-
Compensated Absences	12,573	13,823	10,312	16,084	16,084
Total Governmental Activities	1,093,344	790,556	776,685	1,107,215	159,203
Business-Type Activities:					
Water Revenue Bonds	733,930	-	16,550	717,380	17,282
Sewer Revenue Bonds	218,370	-	6,153	212,217	6,328
Compensated Absences	2,432	3,699	5,351	780	780
Total Business-Type Activities	954,732	3,699	28,054	930,377	24,390
Total Primary Government	\$ 2,048,076	\$ 794,255	\$ 804,739	\$ 2,037,592	\$ 183,593

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(5) Long-Term Debt

Long-term debt at December 31, is comprised of the following:

Revenue Bonds

Rural Development Water Revenue Bonds, Series 2007; bears interest at 4.375 percent; due in monthly installments of \$4,028 through January 2048. Financed through the Water Fund. \$ 717,380

Rural Development Sewer Revenue Bonds, Series 2010; bears interest at 3.000 percent; due in monthly installments of \$1,057 through December 2047. Financed through the Sewer Fund. 212,217

Sales Tax Revenue Bond, Series 2004; bears interest at 4.375 percent; due in monthly installments of \$1,227 through June 2026. Financed through the General Fund. 48,088

Rural Development Sales Tax Revenue Bond, Series 2023; bears interest at 2.250 percent; due in monthly installments of \$3,254 through July 2043. Financed through the General Fund. 617,263

Special Assessments

Special Assessment Bond, Series 2010; bears interest at 3.750 percent; due in annual installments of \$31,595 through December 2030. Financed through the Debt Service Fund. 153,349

Tax Increment Financing Obligations

TIF #2 maximum borrowings of \$1,500,000, including interest of 5.750 per annum, due in varying installments within 30 days of property tax collections from the County. Financed through the TIF Debt Service Fund. 272,431

2,020,728

Compensated Absences

Governmental Funds 16,084

Water Fund 543

Sewer Fund 237

Total Compensated Absences 16,864

Total Long-Term Debt \$ 2,037,592

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(5) Long-Term Debt

The annual requirements to amortize long-term debt outstanding as of December 31, 2023, except for compensated absences, are as follows:

	Revenue Bonds		Special Assessments		TIF Obligations		Total	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2024	\$ 63,925	\$ 61,831	\$ 4,779	\$ 26,816	\$ 13,588	\$ 78,082	\$ 82,292	\$ 166,729
2025	62,310	63,999	3,775	27,820	9,820	81,851	75,905	173,670
2026	60,723	66,193	2,732	28,863	5,045	86,625	68,500	181,681
2027	59,551	61,610	1,653	29,942	646	25,873	61,850	117,425
2028	58,039	55,480	2,239	29,356	-	-	60,278	84,836
2029-2033	194,951	305,389	1,138	10,552	-	-	196,089	315,941
2034-2038	142,246	358,094	-	-	-	-	142,246	358,094
2039-2043	79,478	403,790	-	-	-	-	79,478	403,790
2044-2048	80,224	218,562	-	-	-	-	80,224	218,562
Total	\$ 801,447	\$ 1,594,948	\$ 16,316	\$ 153,349	\$ 29,099	\$ 272,431	\$ 846,862	\$ 2,020,728

Tax Increment Financing Obligation

Tax increment financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. In some instances, the City pledges future tax revenues generated by the tax increment district to acquire public improvements within the established Tax Increment District which were constructed by a private developer.

It is a specific condition of the developer's agreement and a condition of the City's obligation that all sums payable shall be limited to the proceeds of the positive tax increment. It is also specifically agreed that the City has made no representation that the proceeds from such funds shall be sufficient to retire the indebtedness incurred by the developer to construct the public improvements.

During the year ended December 31, 2023, TIF related property tax revenues were \$111,861. Interest expenditures, excluding corresponding accruals, related to TIF obligations totaled \$21,060 for the year ended December 31, 2023.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(5) Long-Term Debt

Business-type Activities

The City has pledged future revenues of the Water Fund and Sewer Fund for the retirement of debt issuances associated with those funds through the maturity dates listed above. The City has pledged sales tax revenue of the General Fund for the retirement of debt issuances associated with the 2004 Sales Tax Revenue Bonds. All debt secured by pledged revenues funded capital projects and improvements. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Below is a comparison by fund of principal and interest payments and total pledged revenue for the current year.

Funds	Water Fund	Sewer Fund	General Fund
Current Year Principal and Interest	\$ 48,343	\$ 12,696	\$ 31,304
Pledged Revenue	280,961	252,751	370,481

Restricted Cash and Investments:

Debt covenants require \$109,285 of reserves. The City has restricted \$112,493 of cash and investments for debt service as of December 31, 2023.

(6) Interfund Activity

Interfund advances balances at December 31, 2023 are as follows:

Funds	Interfund Advance To	Interfund Advance From
General Fund	\$ (85,177)	\$ -
Special Assessment Debt Service Fund	-	77,509
Library Fund	-	7,668
Total Transfers	\$ (85,177)	\$ 85,177

The General Fund advanced monies to the Special Assessment Debt Service Fund and Library Fund for operations.

Interfund transfer balances at December 31, 2023 are as follows:

Funds	Transfers Out	Transfers In
General Fund	\$ (16,411)	\$ -
Special Assessment Debt Service Fund	-	16,411
Total Transfers	\$ (16,411)	\$ 16,411

Transfers between the funds were made to cover the general operational costs of the City.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(7) Changes in Capital Assets

A summary of changes in capital assets for year ending December 31 is as follows:

<i>Governmental Activities:</i>	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Capital Assets, not being Depreciated:				
Land	\$ 220,200	\$ -	\$ -	\$ 220,200
Construction in Progress	1,726,041	-	1,726,041	-
Total Capital Assets, not being Depreciated	1,946,241	-	1,726,041	220,200
Capital Assets, being Depreciated:				
Buildings	327,535	-	-	327,535
Improvements Other Than Buildings	2,166,580	2,044,950	-	4,211,530
Machinery and Equipment	942,978	90,285	5,711	1,027,552
Total Capital Assets, being Depreciated	3,437,093	2,135,235	5,711	5,566,617
Less Accumulated Depreciation for:				
Buildings	137,913	9,857	-	147,770
Improvements Other Than Buildings	583,139	95,338	-	678,477
Machinery and Equipment	718,332	73,637	5,711	786,258
Total Accumulated Depreciation	1,439,384	178,832	5,711	1,612,505
Total Governmental Activities Capital Assets, being Depreciated, Net	1,997,709	1,956,403	-	3,954,112
Total Governmental Capital Assets, Net	\$ 3,943,950	\$ 1,956,403	\$ 1,726,041	\$ 4,174,312

Depreciation expense was charged to functions as follows:

Public Works	\$ 115,895
Public Safety	38,198
General Government	16,863
Culture and Recreation	5,712
Conservation and Development	2,164
Total Depreciation Expense - Governmental	\$ 178,832

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(7) Changes in Capital Assets

	Balance <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2023</u>
<i>Business-type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 23,253	\$ -	\$ -	\$ 23,253
Total Capital Assets, not being Depreciated	23,253	-	-	23,253
Capital Assets, being Depreciated:				
Buildings	1,510,369	-	-	1,510,369
Improvements Other Than Buildings	4,617,999	-	-	4,617,999
Machinery and Equipment	335,993	43,602	-	379,595
Total Capital Assets, being Depreciated	6,464,361	43,602	-	6,507,963
Less Accumulated Depreciation for:				
Buildings	1,092,895	18,031	-	1,110,926
Improvements Other Than Buildings	1,812,194	99,564	-	1,911,758
Machinery and Equipment	217,998	36,357	-	254,355
Total Accumulated Depreciation	3,123,087	153,952	-	3,277,039
Total Business-type Activities Capital Assets, being Depreciated, Net	3,341,274	(110,350)	-	3,230,924
Total Business-type Capital Assets, Net	\$ 3,364,527	\$ (110,350)	\$ -	\$ 3,254,177
Depreciation expense was charged to functions as follows:				
Water				\$ 85,957
Sewer				67,995
Total Depreciation Expense - Business-type				\$ 153,952

CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

(8) Pension Plan

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

Benefits Provided:

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

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

Members that were hired on/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 Cost-of-Living Adjustment (COLA) process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to 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 COLA.

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(8) Pension Plan

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021 were **\$27,814**, \$28,320, and \$26,455, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023, SDRS is 100.10 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of June 30, 2023 and reported by the City as of December 31, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 2,126,147	\$ 613,278	\$ 2,739,425
Less: Proportionate Share of Total Pension Asset	(2,124,716)	(612,866)	(2,737,582)
Proportionate Share of Net Pension Asset	\$ 1,431	\$ 412	\$ 1,843

At December 31, 2023, the City reported an asset of \$1,843 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.0188920, which is an increase of 0.001106 percent from its portion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$37,796. At December 31, 2023, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 52,268	\$ -
Changes in Assumption	63,042	(92,153)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	12,276	-
City Contributions Subsequent to the Measurement Date	13,802	-
Total	\$ 141,388	\$ (92,153)

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(8) Pension Plan

Deferred outflow of resources includes \$13,802 resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

2024	\$	25,111
2025		(27,961)
2026		35,689
2027		2,594
	\$	<u>35,433</u>

Actuarial Assumptions:

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

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66 percent at entry to 3.15 percent after 25 years of service
Discount Rate	6.50 percent, net of pension plan investment expense
Future COLAs	1.91 percent
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 July 1, 2016 to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2023 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

CITY OF WHITEWOOD

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(8) Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	100.0%	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employee 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 asset.

Sensitivity of Liability/(Asset) to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
City’s Proportionate Share of the Net Pension (Asset)/Liability	\$ 377,944	\$ (1,843)	\$ (312,438)

Pension Plan Fiduciary Net Position:

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

(9) Joint Venture

The City participates in a joint venture, known as the Northern Hills Multi-Jurisdictional Drug Task Force, formed for the purpose of implementing and improving state and local drug law enforcement.

The members of the joint venture, each with 10 percent participation, are as follows:

Butte County	Newell City
Lawrence County	Deadwood City
Meade County	Belle Fourche City
Spearfish City	Lead City
Sturgis City	Whitewood City

The joint venture’s governing board is composed of 10 representatives, who are the sheriffs from each county and the police chief for each city. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Lawrence County Sheriff’s Office.

CITY OF WHITEWOOD

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

(10) 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 year ended December 31, 2023, the City managed its risks as follows:

Employee Health Insurance:

The City carries health insurance coverage from a commercial provider. The coverage includes a \$2,000,000 lifetime maximum payment per person. The City pays a monthly premium to provide health insurance coverage for its employees.

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.

Liability Insurance:

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

The City carries a \$2,000 deductible for the police and fire coverage and \$100 to \$250 deductible for the vehicle coverage.

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

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (the 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 during the past three years.

CITY OF WHITEWOOD

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(10) Risk Management

Unemployment Benefits:

The City pays for unemployment benefits as incurred.

(11) Loan and Note Receivable

Loans and Notes receivable are revolving loans the City makes to promote urban development. The following is a summary of the loans and notes receivable at December 31, 2023:

<u>Loan</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
West River Foundation Whitewood Creek	Unsecured	0%	N/A	\$ 40,000
Chiropractic	All assets	3%	January 2031	28,086
				\$ 68,086

OTHER REPORTS



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

City Council
City of Whitewood
Whitewood, 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 financial statements of the governmental activities, the business-type activities, and each major fund of the City of Whitewood (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 May 7, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as #2023-001 and #2023-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as #2023-003 and #2023-004 to be significant deficiencies.

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

City of Whitewood
City Council
Page Two

City's Response to Findings

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

Purpose of this Report

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



KETEL THORSTENSON, LLP
Certified Public Accountants

May 7, 2024

CITY OF WHITEWOOD

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

MATERIAL WEAKNESSES

Finding No. 2023-001: Financial Statement Preparation

Condition and Cause: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the City's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the City at the same time in connection with our audit. This is not unusual for us to do this with cities of your size.

Criteria and Effect: It is our responsibility to inform the Council that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the City's management.

Repeat Finding from Prior Year: Yes, prior year Finding No. 2022-001.

Recommendation: As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy, we have answered any questions they might have, and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied the appropriate steps have been taken to provide the City with the completed financial statements. 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.

Response/Corrective Action Plan: See City's Corrective Action Plan.

Finding No. 2023-002: Audit Adjustments

Condition and Cause: During the course of our engagement, we proposed several audit adjustments. Adjustments included rolling forward fund balances, adjusting debt and capital asset activity, recording net pension asset and related activity, and various reclassification entries.

Criteria and Effect: These adjustments were not identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Repeat Finding from Prior Year: Yes, prior year Finding No. 2022-002.

Recommendation: We recommend the City's operations be continually reviewed for potential changes in the accounting processes so that the appropriate journal entries can be made throughout the year. Audit adjustments should be posted to the respective year-end, and entries should not be posted directly to the fund balance or net position accounts. The balance sheet accounts should be adjusted to actual at year end.

Response/Corrective Action Plan: See City's Corrective Action Plan.

CITY OF WHITEWOOD

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

SIGNIFICANT DEFICIENCIES

Finding No. 2023-003: Segregation of Duties

Condition and Cause: The City Finance Office lacks adequate segregation of duties over the cash receipts and disbursements processes. This is not uncommon for a finance office with only one or two employees.

Criteria and Effect: Lack of adequate segregation of duties exists and could result in misappropriated cash receipts or disbursements.

Repeat Finding from Prior Year: Yes, prior year Finding No. 2022-003.

Recommendation: We recommend a member of the City Council continue to review the bank statements, including cancelled check copies, and adjustments to customer accounts, in detail, to mitigate the risk of misappropriated cash receipts and disbursements. The Mayor and Finance Committee should meet quarterly to review budget to actual expense reports for any unusual activity.

Response/Corrective Action Plan: See City's Corrective Action Plan.

Finding No. 2023-004: Written Uniform Guidance Policies

Condition and Cause: The City does not have written policies for allowable costs/cost principles.

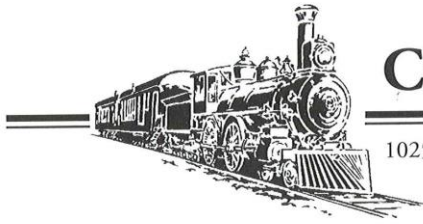
Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies for allowable costs/cost principles. Not properly maintaining such policies leads to noncompliance and potential unallowable costs.

Repeat Finding from Prior Year: Yes, prior year Finding No. 2022-004.

Recommendation: The City should create written policies for allowable costs/cost principles.

Response/Corrective Action Plan: The City is in agreement with the finding. See City's Corrective Action Plan.

MANAGEMENT RESPONSE



City of Whitewood

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CITY OF WHITEWOOD

SCHEDULE OF PRIOR FINDINGS DECEMBER 31, 2023

The City of Whitewood respectfully submits the following summary schedule of prior audit findings from the December 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

Finding No. 2022-001: Financial Statement Preparation

Status: It is more cost effective for the City to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as part of the annual audit process. The City has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: As the City has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2023, see Corrective Action Plan.

Finding No. 2022-002: Audit Adjustments

The City made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year, and is repeated in the Schedule of Findings. See Corrective Action Plan.

Finding No. 2022-003: Segregation of Duties

The City has implemented the recommendations as mitigating controls, but continues to have a lack of adequate segregation of duties as a result of the size of the Finance Office and has accepted the risk involved.

Initial Year Report: Originally issued years ago.

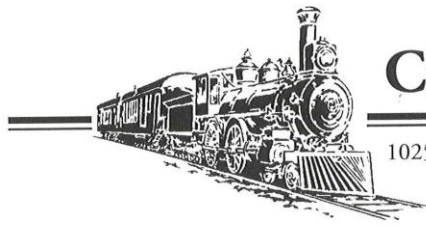
Reasons for Recurrence and Corrective Action Plan: As the City has accepted the risk associated with the segregation of duties finding, it will be repeated in 2023. See Corrective Action Plan.

Finding No. 2022-004: Written Uniform Guidance Policies

The City does not have written policies for allowable costs/cost principles.

Initial Year Report: 2022

Reasons for Recurrence and Corrective Action Plan:



City of Whitewood

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CITY OF WHITEWOOD

CORRECTIVE ACTION PLAN DECEMBER 31, 2023

The City respectfully submits the following corrective action plan from the December 31, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding No. 2023-001: Financial Statement and Schedule of Expenditures of Federal Awards Preparation

The City has accepted the risk associated with Finding #2023-001 regarding the preparation of the financial statements and will continue to have the independent auditor prepare the annual financial statements. For future audits, Finance Officer Cory Heckenlaible will continue to monitor the financial statement preparation and determine if any modification is necessary.

Finding No. 2023-002: Audit Adjustments

The City Finance Officer, Cory Heckenlaible, will be diligent in the year end closing process to properly adjust balance sheet accounts in 2024.

Finding No. 2023-003: Segregation of Duties

The City personnel and City Council will continue establishing internal controls where feasible in 2024. Cory Heckenlaible, Finance Officer, is responsible for this finding.

Finding No. 2023-004: Written Uniform Guidance Policies

The City is working on developing written Uniform Guidance policies. Cory Heckenlaible, Finance Officer, is responsible for this finding.