

B-Y WATER DISTRICT
31039 428th Street
TABOR, SOUTH DAKOTA 57063

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

Schoenfish & Co., Inc.

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

B-Y WATER DISTRICT
Tabor, South Dakota

DISTRICT OFFICIALS
December 31, 2022

NAME OF BOARD OF DIRECTORS & ADDRESS:			POSITION:
Terry Hacecky	1012 W 9 th St.	Yankton, SD	Chairman
Stacy Frank	40779 293 rd St.	Tripp, SD	Vice-Chairman
Larry Schwarz	43332 308 th St.	Yankton, SD	Secretary/Treasurer
Paul Baumiller	28120 409 th Ave.	Parkston, SD	Member
Joe Fillaus	403 Maple Street	Avon, SD	Member
Lee Herrboldt	43779 290 th St.	Menno, SD	Member
Gary Kronaizl	30629 426 th Ave.	Tabor, SD	Member
Justin Kronaizl	29605 441 st Ave.	Irene, SD	Member
Chuck Murtha	41723 277 th St.	Parkston, SD	Member
Mark Schaeffer	42804 US Hwy 18.	Menno, SD	Member
Roger Sykora	30107 423 rd Ave.	Tyndall, SD	Member
Duane "D.G." Becker	115 Lewis Trail	Yankton, SD	Member
Michael Welch	3106 Peninah St.	Yankton, SD	Member

MANAGER

Terry Wootton

Schoenfish & Co., Inc.

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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

Board of Directors
B-Y Water District
Tabor, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the B-Y Water District of Tabor, South Dakota (District), as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise B-Y Water District's basic financial statements, and have issued our report thereon dated March 1, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2022-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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

District's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
March 1, 2023

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2021-001:

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

SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Finding Number 2022-001:Condition:

A material weakness in internal controls was noted due to a lack of segregation of duties for revenues. We found that the entity has a limited number of employees, which prevents a proper segregation of duties over the revenue accounting functions necessary to assure an ideal environment for internal controls. This has been a continuing audit comment.

Criteria:

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

Cause:

Two members of the office staff process all cash receipts transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits and reconciling bank statements.

Effect:

At times there is an inadequate segregation of duties for these accounting functions. Although the staff attempts to divide the various tasks so that one person does not control a transaction from beginning to end, that is not always possible.

Recommendation:

The Manager, Terry Wootton, and the Board of Directors should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in management's knowledge of the matters relating to the District's operations, establishing a procedure of rotation of duties and regular review of key areas such as bank reconciliations and strict enforcement of a vacation policy requiring all personnel to be absent from the District for specified times.

Managements Response:

The Manager, Terry Wootton, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the staff of the District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Management has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for accounting functions. Management is aware of this problem and is attempting to develop policies and to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding accounting functions continues to exist.

CLOSING CONFERENCE

The contents of this report were discussed with the Manager, Terry Wootton, and the Bookkeeper, Linda Bares, during the course of the audit and at the conclusion of the audit.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
B-Y Water District
Tabor, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of B-Y Water District of Tabor, South Dakota, (District) as of December 31, 2022, and for the year then ended, and the related notes of the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of B-Y Water District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management's 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 misstatements, 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the B-Y Water District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Water Sales and Schedule of Operating Expenses, listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.



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Certified Public Accountants
March 1, 2023

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B-Y WATER DISTRICT

PO Box 248
Tabor, SD 57063

Management's Discussion and Analysis

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ending December 31, 2022. This information is presented in conjunction with the audited basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

Net position increased by \$3,470,333 or 10.4%, from \$33,315,471 as of December 31, 2021 to \$36,785,804 as of December 31, 2022.

Operating revenues increased by \$110,484, or 1.3%, from \$8,235,186 for the year ended December 31, 2021 to \$8,345,670 for the year ended December 31, 2022.

Operating expenses increased by \$412,948, or 6.6%, from \$6,230,891 for the year ended December 31, 2021 to \$6,643,839 for the year ended December 31, 2022.

Interest expense decreased by \$31,385, or 3.5%, from \$900,297 for the year ended December 31, 2021 to \$868,912 for the year ended December 31, 2022.

Capital contributions to the District increased by \$1,905,720, or over 100% from \$504,713 for the year ended December 31, 2021 to \$2,410,433 for the year ended December 31, 2022.

The ongoing significant capital projects were 2019-05 City of Mitchell, 2018-02 WTP Site Piping & Tank Rehabilitation, Hwy 81 Water Main Relocation, 2019-04 Segment #3 Around Yankton, Powder Activated Carbon System TO#7, and Mitchell Water Meter Station.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identifies the District's revenues and expenses for the fiscal year ended December 31, 2022. This statement provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and project costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investment and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for the fiscal year. The prior year summarized comparative information has been derived from the District's 2021 financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition. The District's net position equals the assets and deferred outflows of resources minus the liabilities and deferred inflows of resources.

BALANCE SHEET

A summary of the District's Net Position is presented below:

Table 1
Condensed Statement of Net Position

	2022	2021
Current and Other Assets	10,932,840	8,209,280
Noncurrent Assets	47,935,566	48,124,721
Total Assets	58,868,406	56,334,001
 Pension Related Deferred Outflows	 243,531	 288,248
Long-Term Liabilities	21,331,730	22,061,249
Other Liabilities	837,721	806,529
Total Liabilities	22,169,451	22,867,778
 Pension Related Deferred Inflows	 156,682	 439,000
 Net Investment in Capital Assets	 24,642,581	 23,991,290
Restricted	1,462,846	1,448,129
Unrestricted	10,680,377	7,876,052
Total Net Position	36,785,804	33,315,471

As Table 1 indicates, total assets increased by \$2,534,405 from \$56,334,001 as of December 31, 2021 to \$58,868,406 as of December 31, 2022. This is comprised of an increase of \$2,723,560 in current assets from 2021 to 2022 and a decrease of \$189,155 in noncurrent assets from 2021 to 2022.

The long-term liabilities reflect a decrease of \$729,519 from 2021 to 2022, and an increase of \$31,192 in current liabilities from 2021 to 2022.

Table 1 also indicates that the total net position increased \$3,470,333 from 2021 to 2022.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position.

Table 2
Condensed Statement of Net Position

	2022	2021
Operating Revenues	8,345,670	8,235,186
Nonoperating Revenues	226,981	297,391
Total Revenues	8,572,651	8,532,577
Depreciation Expense	2,189,981	2,101,927
Other Operating Expenses	4,453,858	4,128,964
Nonoperating Expenses	868,912	900,297
Total Expenses	7,512,751	7,131,188
Income Before Capital Contributions	1,059,900	1,401,389
Capital Contributions	2,410,433	504,713
Change in Net Position	3,470,333	1,906,102
Ending Net Position	36,785,804	33,315,471

Table 2 indicates that the District's total revenues increased by \$40,074, or 0.5% to \$8,572,651 for the year ended December 31, 2022 from \$8,532,577 for the year ended December 31, 2021.

Total expense increased by \$381,563, or 5.4% during 2022.

Capital contributions to the District increased by \$1,905,720, or over 100% for the year ended December 31, 2022 mainly due to project reimbursement from SD DOT.

CAPITAL ASSETS

As of December 31, 2022, the District's investment in capital assets, net of depreciation, totaled \$46,703,206, which is a decrease of \$48,957 over the capital asset balance of \$46,754,163 at December 31, 2021. Capital assets include all of the District's major capital assets, including water treatment facilities, water mains, pipes and storage reservoirs, land, District headquarters and other structures, as well as vehicles and other equipment with a value of \$1,000 or more. A comparison of the District's capital assets is presented in Table 3.

Table 3
Capital Assets, Net of Depreciation

	2022	2021
Land	342,853	342,853
Construction in Progress	711,196	804,634
Buildings and Improvements	45,527,632	45,518,732
Furniture and Equipment	121,525	85,944
Total Capital Assets	<u>46,703,206</u>	<u>46,752,163</u>

LONG TERM LIABILITIES

As of December 31, 2022, the District's had \$22,093,296 in notes and compensated absences payable compared to \$22,792,200 as of December 31, 2021. Principal payments during the year totaled \$700,248 and compensated absences payable increased by \$1,344. Additional information on the District's long-term liabilities is provided in the Notes to the Financial Statements.

Table 4
Long-Term Liabilities

	2022	2021
Notes Payable	22,060,625	22,760,873
Compensated Absences	32,671	31,327
Total Expenses	<u>22,093,296</u>	<u>22,792,200</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Director's adopted the District's 2023 budget on December 14, 2022. The approval of the year's budget provides funding for the District's operating, capital, and debt service costs for 2023.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact B-Y Water District, PO Box 248, Tabor, SD 57063.

B-Y WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2022
With Comparative Totals for December 31, 2021

	2022	2021
ASSETS:		
<u>Current Assets:</u>		
Cash and Cash Equivalents	9,245,630	6,623,659
Certificates of Deposit	560,006	558,204
Customer Receivables, (net of allowances for uncollectibles, if any)	593,854	607,374
Interest Receivable	974	351
Prepaid Expenses	63,362	60,350
Inventories	469,014	359,342
Total Current Assets	10,932,840	8,209,280
<u>Noncurrent Assets:</u>		
Capital Credits	1,195,100	1,112,652
Equity in Cobank	34,592	34,354
Net Pension Asset	2,668	225,552
<u>Capital Assets:</u>		
Capital Assets, Not Being Depreciated	1,054,049	1,147,487
Capital Assets, Being Depreciated, Net of Depreciation	45,649,157	45,604,676
Total Noncurrent Assets	47,935,566	48,124,721
TOTAL ASSETS	58,868,406	56,334,001
 <u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Pension Related Deferred Outflows	243,531	288,248
TOTAL DEFERRED OUTFLOWS OF RESOURCES	243,531	288,248
 <u>LIABILITIES:</u>		
<u>Current Liabilities:</u>		
Sales Tax Payable	603	426
Accrued Wages and Payroll Taxes Payable	25,063	22,694
Accrued Interest Payable	43,563	45,128
Unearned Revenues	6,926	7,330
Accrued Compensated Absences- Current Portion	32,671	31,327
Bonds Payable-Current Portion	728,895	699,624
Total Current Liabilities	837,721	806,529
<u>Noncurrent Liabilities:</u>		
Bonds Payable	21,331,730	22,061,249
Total Noncurrent Liabilities	21,331,730	22,061,249
TOTAL LIABILITIES	22,169,451	22,867,778

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

B-Y WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2022
With Comparative Totals for December 31, 2021

	2022	2021
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pension Related Deferred Inflows	156,682	439,000
TOTAL DEFERRED INFLOWS OF RESOURCES	156,682	439,000
<u>NET POSITION:</u>		
Net Investment in Capital Assets	24,642,581	23,991,290
Restricted for SDRS Pension Purposes	89,517	74,800
Restricted for Debt Service	1,373,329	1,373,329
Unrestricted Net Position	10,680,377	7,876,052
TOTAL NET POSITION	36,785,804	33,315,471

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

B-Y WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	2022	2021
<u>OPERATING REVENUES:</u>		
Water Sales	8,257,318	8,128,187
Service Charges	73,361	89,794
Other Revenue	14,991	17,205
Total Operating Revenues	8,345,670	8,235,186
<u>OPERATING EXPENSES:</u>		
Administrative	1,301,093	1,075,416
Source of Supply	110,385	25,348
Pumping	442,250	492,870
Water Treatment	1,868,170	1,956,738
Transmission and Distribution	731,960	578,592
Depreciation and Amortization	2,189,981	2,101,927
Total Operating Expenses	6,643,839	6,230,891
OPERATING INCOME (LOSS)	1,701,831	2,004,295
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	16,158	9,035
Other Nonoperating Revenue	112,871	156,113
Patronage Dividends Earned	83,235	72,085
Pension Expense/Revenue	14,717	60,158
Interest Expense	(868,912)	(900,297)
Total Nonoperating Revenues (Expenses)	(641,931)	(602,906)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	1,059,900	1,401,389
Capital Contributions - Nonfederal Grants and Members	197,840	493,052
Capital Contributions - Federal	2,212,593	11,661
CHANGE IN NET POSITION	3,470,333	1,906,102
TOTAL NET POSITION - BEGINNING	33,315,471	31,409,369
TOTAL NET POSITION - ENDING	36,785,804	33,315,471

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

B-Y WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from Customers	8,270,434	8,092,572
Other Cash Payments Received	88,352	106,999
Payments to Employees	(1,101,694)	(1,039,417)
Payments to Suppliers	(3,460,958)	(3,099,532)
Net Cash Provided by Operating Activities	<u>3,796,134</u>	<u>4,060,622</u>
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES:</u>		
Capital Contributions - Nonfederal Grants and Members	2,410,433	493,052
Capital Contributions - Federal Grants	0	11,661
Rental Income	7,088	7,087
Gain on Sale of Capital Assets	6,330	7,904
Insurance Proceeds	0	42,146
Contract Fees	99,453	98,976
Acquisition of Capital Assets	(2,141,024)	(1,918,941)
Principal Paid on Long-Term Debt	(700,248)	(957,596)
Interest Paid on Debt	(870,477)	(902,165)
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,188,445)</u>	<u>(3,117,876)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase/Sale of Certificates of Deposit	(1,802)	(7,832)
Cash Dividends from Capital Credits	549	4,108
Interest Income	15,535	10,572
Net Cash Provided by Investing Activities	<u>14,282</u>	<u>6,848</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,621,971</u>	<u>949,594</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,623,659</u>	<u>5,674,065</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>9,245,630</u></u>	<u><u>6,623,659</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	1,701,831	2,004,295
Adjustments to Reconcile Operating Income to Net Cash Provided:		
Depreciation Expense	2,189,981	2,101,927
Change in Assets and Liabilities:		
Accounts Receivable	13,520	(35,803)
Prepaid Expenses	(3,012)	(4,991)
Inventories	(109,672)	(1,352)
Accounts Payable	177	178
Accrued Wages and Payroll Taxes	2,369	404
Accrued Compensated Absences	1,344	(4,224)
Unearned Revenue	(404)	188
Net Cash Provided (Used) by Operating Activities	<u><u>3,796,134</u></u>	<u><u>4,060,622</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

B-Y Water District (the District) is organized under the authority of, and in compliance with, Chapter 46A-9 of the South Dakota Codified Laws, 1967. As amended as a water user district. A petition to the Board of Natural Resource Development proposing the organization of the District was signed by 25% of the landowners or entrymen within the proposed District, approved by the Board of Natural Resource Development on December 16, 1976, and filed with the Secretary of State on January 5, 1977. The petition and certificate of Approval for the formation of the District was filed by the Secretary of State with the County Auditors in Bon Homme, Yankton, Hutchinson and Turner Counties.

The purpose of the District, as stated in its petition of organization, is to construct or acquire a water system to conserve, control and distribute potable water from the Missouri River at various locations, to homes, pastures, feedlots and elsewhere as deemed feasible and to provide for an ample supply of good quality water to municipalities. The proposed works would consist of pumps, filtering and treatment plants, storage tanks, mains, pipelines, booster pumps and other waterworks deemed necessary to pump, filter, treat, store and distribute potable water.

The principal place of business of the District is Tabor, SD. The District is governed by an elected Board of Directors consisting of thirteen directors. The District is authorized to exercise the power of eminent domain and is a political subdivision of the State of SD. The District has no taxing powers and has no power to levy assessments.

Basis of Presentation

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.

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measure, basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Comparative Financial Information

The financial statements include certain prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2022.

Deposits and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the District considers all highly liquid deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. The cost valuation method is first-in, first-out.

Capital Assets

All acquisitions of property, plant and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

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 date donated. The total December 31, 2022, balances of business-type capital assets are all valued at original cost. 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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

capitalized. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Transmission and Distribution Systems	8-40
Meters and Stations	20
Equipment	3-15
Vehicles	3-5

Land is an inexhaustible capital asset and is not depreciated.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Long-Term Liabilities

All long-term liabilities to be repaid from business-type resources are reported as liabilities in the statements. The long-term liabilities consist of RECD loans, SRF Loan, and compensated absences.

The accounting for proprietary fund long-term debt is on the accrual basis.

Compensated Absences

The District allows employees to accumulate vacation leave. Upon termination, all accumulated vacation leave will be paid to the employee.

Deferred Inflows & Outflows

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

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

Equity Classifications

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Application of Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary of the entity. For the District, these revenues are charges for water sales. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as non-operating. The primary non-operating revenue is contract fees with other water districts.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for doubtful accounts.

Pensions

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

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

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits District funds to be invested in

- (a) Securities of the United States and securities guaranteed by the United States Government either directly or indirectly including; or
- (b) repurchase agreements fully collateralized by securities described in (a) above; or
- (c) 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 custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

Custodial Credit Risk-Deposits —The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of December 31, 2022 and 2021, the District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Authorized Investments by the District – The District does not have a formal investment policy that further limits investments beyond those imposed by statutes.

Interest Rate Risk — The District 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.

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

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

3. RECEIVABLES

Receivables are not aggregated in these financial statements. The District expects all receivables to be collected within one year. Allowance for uncollectible accounts receivable is calculated based on historical trend data. For the year ended December 2022 and 2021, the allowance for doubtful accounts totaled \$5,779 and \$6,024, respectively.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

4. CAPITAL CREDITS AND COBANK EQUITY

The District is a member in several local cooperatives and acquired equity in CoBank and has earned and been paid cash patronage dividends and earned equity as follows:

	Patronage Equity in Cooperatives	CoBank Equity
Balance as of December 31, 2020	\$ 1,046,504	\$ 32,526
2020 Dividends and Equity:		
Earned	72,085	1,828
Paid	(5,937)	0
Balance as of December 31, 2021	1,112,652	34,354
2021 Dividends and Equity:		
Earned	85,644	238
Paid	(3,196)	0
Balance as of December 31, 2022	<u>\$ 1,195,100</u>	<u>\$ 34,592</u>

5. CHANGES IN CAPITAL ASSETS

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

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	342,853			342,853
Construction Work in Progress	804,634	1,965,074	(2,058,512)	711,196
Total Capital Assets, Not Being Depreciated	<u>1,147,487</u>	<u>1,965,074</u>	<u>(2,058,512)</u>	<u>1,054,049</u>
Capital Assets, Being Depreciated:				
Building	1,232,394			1,232,394
Utility Plant	95,195,188	2,161,460		97,356,648
Machinery & Equipment	785,755	73,002	(56,277)	802,480
Total Capital Assets, Being Depreciated	<u>97,213,337</u>	<u>2,234,462</u>	<u>(56,277)</u>	<u>99,391,522</u>
Less Accumulated Depreciation for:				
Building	(556,924)	(32,977)		(589,901)
Utility Plant	(50,351,926)	(2,119,583)		(52,471,509)
Machinery & Equipment	(699,811)	(37,421)	56,277	(680,955)
Total Accumulated Depreciation	<u>(51,608,661)</u>	<u>(2,189,981)</u>	<u>56,277</u>	<u>(53,742,365)</u>
 Total Business-Type Activity Capital Assets, Being Depreciated, Net	<u>45,604,676</u>	<u>44,481</u>	<u>-</u>	<u>45,649,157</u>
Total Business-Type Activity Capital Assets, Net	<u>46,752,163</u>	<u>2,009,555</u>	<u>(2,058,512)</u>	<u>46,703,206</u>

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

Construction Work in Progress at December 31, 2022 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2020	Committed	Required Future Financing
2019-05 City of Mitchell	155,521	55,127	-	100,394
2018-02 WTP Site Piping	59,011	59,011	-	-
Hwy 81 Water Main Relocation & Tank Rehabilitation	78,000	35,374	42,626	-
2019-04 Segment #3 Around Yankton	417,514	361,515	-	55,999
Powder Activated Carbon System TO#7	1,219,450	196,111	-	1,023,339
Mitchell Water Meter Station	4,058	4,058	-	-
Total Construction Work in Progress	1,933,554	711,196	42,626	1,179,732

6. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Business-Type Activities:					
USDA Rural Development Notes Payable	18,760,073		(601,452)	18,158,621	627,607
Drinking Water SRF Loan	4,000,800		(98,796)	3,902,004	101,288
Total Debt	22,760,873	-	(700,248)	22,060,625	728,895
Accrued Compensated Absences	31,327	36,442	(35,098)	32,671	32,671
Total Business-Type Activities	22,792,200	36,442	(735,346)	22,093,296	761,566
Total Primary Government	22,792,200	36,442	(735,346)	22,093,296	761,566

Debt payable at December 31, 2021 and 2022 is comprised of the following:

	2021	2022
Note Payable – USDA RD Note #15		
For Master Plan Project, monthly installments of \$15,647 including interest, 5.125% interest rate, due June 2035, Collateralized by a mortgage on substantially all assets of the District.	\$1,820,522	\$1,723,804
Note Payable – USDA RD Note #17		
For Intake Project, monthly installments of \$8,533 including interest, 5.125% interest rate, due October 2036, Collateralized by a mortgage on substantially all assets of the District.	\$1,057,606	\$1,008,262

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

Note Payable – USDA RD Note #19		
For Project 97-01, monthly installments of \$3,563 including interest, 4.75% interest rate, due April 2038, Collateralized by a mortgage on substantially all assets of the District.		
	\$482,779	\$462,517
Note Payable – USDA RD Note #21		
For Plant Improvement Project, monthly installments of \$2,090 including interest, 4.75% interest rate, due April 2038, Collateralized by a mortgage on substantially all assets of the District.		
	\$283,661	\$271,798
Note Payable – USDA RD Note #25		
For Treatment Plant Expansion, monthly installments of \$38,799 including interest, 4.75% interest rate, due December 2043, Collateralized by a mortgage on substantially all assets of the District.		
	\$6,334,781	\$6,166,448
Note Payable – USDA RD Note #27		
For Northwest Hutchinson Project, monthly installments of \$3,987 including interest, 4.25% interest rate, due May 2045, Collateralized by a mortgage on substantially all assets of the District.		
	\$708,101	\$690,001
Note Payable – USDA RD Note #29		
For Southern Bon Homme Project, monthly installments of \$3,333 including interest, 4.125% interest rate, due April 2047, Collateralized by a mortgage on substantially all assets of the District.		
	\$628,928	\$614,603
Note Payable – USDA RD Note #31		
For Southern Bon Homme Project, monthly installments of \$4,511 including interest, 4.125% interest rate, due May 2047, Collateralized by a mortgage on substantially all assets of the District.		
	\$851,659	\$832,293
Note Payable – USDA RD Note #33		
For the 2009-1 thru 2009-3 Projects, monthly installments of \$14,745 including interest, 4.125% interest rate, due December 2049, Collateralized by a mortgage on substantially all assets of the District.		
	\$1,771,078	\$1,665.204
Note Payable – USDA RD Note #34		
For the Roof Replacement and Motor Control Projects, monthly installments of \$1,650 including interest, 3.375% interest rate, due December 2049, Collateralized by a mortgage on substantially all assets of the District.		
	\$357,399	\$349,540

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

Note Payable – USDA RD Note #36		
For Douglas County Project/Segment 1, monthly installments of \$12,305 including interest, 2.75% interest rate, due May 2053, Collateralized by a mortgage on substantially all assets of the District.		
	\$3,098,716	\$3,035,476
Note Payable – USDA RD Note #38		
For Douglas County Project/Segment 1, monthly installments of \$1,583 including interest, 2.75% interest rate, due April 2053, Collateralized by a mortgage on substantially all assets of the District.		
	\$398,425	\$390,283
Note Payable – USDA RD Note #39		
For Segment 2, monthly installments of \$3,698 including interest, 2.75% interest rate, due April 2055, Collateralized by a mortgage on substantially all assets of the District.		
	\$966,418	\$948,392
Drinking Water-SRF Loan		
For Project 2016-01, Quarterly installments Of \$32,396 including interest, 2.50% interest Rate, due January 2050.		
	\$4,000,800	\$3,902,004
Compensated Absences – Accrued Vacation		
Payable to District employees as of December 31		
	\$31,327	\$32,671
	<u>\$22,792,200</u>	<u>\$22,093,296</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

The annual requirements to amortize all debt outstanding, except compensated absences, as of December 31, 2022, are as follows:

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

Year Ending December 31,	Real Estate Mortgage Payable USDA		Drinking Water-SRF #2		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	627,607	746,703	101,288	96,606	728,895	843,309
2024	654,102	720,217	103,844	94,050	757,946	814,267
2025	684,845	689,619	106,465	91,429	791,310	781,048
2026	715,495	658,965	109,151	88,743	824,646	747,708
2027	747,560	626,855	111,906	85,988	859,466	712,843
2028-2032	4,270,673	2,595,967	603,342	386,128	4,874,015	2,982,095
2033-2037	4,110,377	1,608,036	683,410	306,060	4,793,787	1,914,096
2038-2042	3,346,617	862,394	774,104	215,366	4,120,721	1,077,760
2043-2047	1,844,952	280,286	876,834	112,636	2,721,786	392,922
2048-2052	1,000,088	92,014	431,660	13,601	1,431,748	105,615
2053-2057	156,305	3,728			156,305	3,728
Totals	18,158,621	8,884,784	3,902,004	1,490,607	22,060,625	10,375,391

7. RESTRICTED NET POSITION

The following table shows the net position restricted as shown on the Statement of Net Position:

Description	Restricted by	2022	2021
USDA Rural Development	Debt Covenant	\$1,373,329	\$1,373,329
SDRS Pension Purposes	Government Accounting Standards	\$ 89,517	\$ 74,800

8. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://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 three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

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

Contributions

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

Year	Amount
2022	\$ 41,586
2021	\$ 40,841
2020	\$ 40,684

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pension

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

Proportionate share of pension liability	\$ 3,985,263
Less proportionate share of net pension restricted for pension benefits	<u>\$ 3,987,931</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,668)</u></u>

At December 31 2022, the District reported a liability (asset) of (\$2,668) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the District's proportion was 0.02823100%, which is a decrease of 0.0012210% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the District recognized pension expense (reduction of pension expense) of \$(14,717). At December 31, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 50,788	\$ 173
Changes in assumption.	169,570	148,606
Net Difference between projected and actual earnings on pension plan investments.		6,394
Changes in proportion and difference between District contributions and proportionate share of contributions.	1,834	1,509
District contributions subsequent to the measurement date.	<u>21,339</u>	
TOTAL	<u><u>\$ 243,531</u></u>	<u><u>\$ 156,682</u></u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

\$21,339 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended
December 31:

2023	\$ 16,882
2024	37,312
2025	(41,720)
2026	53,036
	<hr/>
TOTAL	\$ 65,510
	<hr/>

Actuarial Assumptions

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

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

Mortality rates:

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

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- 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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

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

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

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

Discount Rate

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

Sensitivity of Liability (asset) to Changes in the Discount Rate

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the net pension liability (asset)	\$ 553,987	\$ (2,668)	\$ (457,602)

Pension Plan Fiduciary Net Position

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

9. RISK MANAGEMENT

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

Employee Health Insurance

The District purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance

The District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The District purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits

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

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2022, there were two claims pending against B-Y Water District.

The first claim involves a claim by a contractor that the District failed to appropriately mark its water line. The Plaintiff has not made any attempt to move the case forward in the last year. It is not anticipated that this case will involve any substantial damage claim against the District.

The second claim involves a business who built a commercial storage building over a District's supply pipeline. The supply pipeline is located pursuant to easements from the prior property owner. The District brought suit to enforce the easement and the business has filed a Counterclaim. It is not anticipated that this case will involve any substantial damage claim against the District.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Continued)

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 1, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

* Last 10 Fiscal Years

	District's proportion of the net pension liability/asset	District's proportionate share of net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.0282310%	\$ (2,668)	\$ 683,653	0.39%	100.10%
2021	0.0294520%	\$ (225,552)	\$ 661,870	34.08%	105.52%
2020	0.0317957%	\$ (1,381)	\$ 697,823	20.00%	100.04%
2019	0.0301322%	\$ (3,193)	\$ 640,672	50.00%	100.09%
2018	0.0291091%	\$ (679)	\$ 603,958	11.00%	100.02%
2017	0.0289490%	\$ (2,627)	\$ 584,484	45.00%	100.10%
2016	0.0319590%	\$ 107,954	\$ 602,571	17.92%	96.89%
2015	0.0310463%	\$ (131,676)	\$ 566,814	23.23%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

* Last 10 Fiscal Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2022	\$ 41,586	\$ 41,586	\$ -	\$ 693,153	6.00%
2021	\$ 40,841	\$ 40,841	\$ -	\$ 680,672	6.00%
2020	\$ 40,684	\$ 40,684	\$ -	\$ 678,060	6.00%
2019	\$ 39,797	\$ 39,797	\$ -	\$ 663,288	6.00%
2018	\$ 36,937	\$ 36,937	\$ -	\$ 615,615	6.00%
2017	\$ 35,516	\$ 35,516	\$ -	\$ 591,934	6.00%
2016	\$ 36,006	\$ 36,006	\$ -	\$ 600,101	6.00%
2015	\$ 34,928	\$ 34,928	\$ -	\$ 582,128	6.00%

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

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

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

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

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

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

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

Actuarial Method Changes

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

B-Y WATER DISTRICT
SUPPLEMENTARY FINANCIAL INFORMATION
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022	2021
SCHEDULE OF WATER SALES		
Residential	4,907,612	4,764,752
Town	2,851,302	2,864,922
Commercial	178,098	183,684
Public Authority	150,977	140,464
Pasture Taps	169,329	174,365
	<u>8,257,318</u>	<u>8,128,187</u>
SCHEDULE OF OPERATING EXPENSES		
Source of Supply		
Maintenance and Repair	110,383	2,315
Miscellaneous	2	23,033
	<u>110,385</u>	<u>25,348</u>
Pumping		
Purchased Power	414,166	405,557
Maintenance and Repair	4,675	62,852
Miscellaneous	23,409	24,461
	<u>442,250</u>	<u>492,870</u>
Water Treatment		
Utilities	787,600	766,115
Chemicals	734,676	778,945
Maintenance and Repair	104,696	179,420
Labor	214,702	217,821
Miscellaneous	26,496	14,437
	<u>1,868,170</u>	<u>1,956,738</u>
Transmission and Distribution		
Labor	211,318	199,649
Maintenance and Repair	488,701	351,380
Supplies and Materials	13,031	7,820
Miscellaneous	18,910	19,743
	<u>731,960</u>	<u>578,592</u>

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

B-Y WATER DISTRICT

SUPPLEMENTARY FINANCIAL INFORMATION

For the Year Ended December 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	2022	2021
General and Administrative		
Employee Fringe Benefits	336,517	284,879
Office Salaries	246,288	236,766
Vehicle Expense	82,750	58,584
Insurance	112,534	103,114
Payroll Taxes	80,622	76,849
Engineer Expense	18,058	26,084
Operational Salaries	-	1,153
Director Fees	15,960	18,480
Professional Services	151,768	60,508
Repairs and Maintenance	22,105	17,851
Telephone	11,741	12,239
Postage	13,028	14,547
Office Supplies	24,494	22,127
Miscellaneous	28,003	10,787
Equipment and Tools	7,459	6,644
Travel	9,284	5,560
Advertising	3,393	1,642
Water Samples	7,253	6,069
Dues and Subscriptions	10,627	14,880
One Call Expense	5,359	7,475
Utilities	113,850	89,178
	<u>1,301,093</u>	<u>1,075,416</u>

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