

**B-Y WATER DISTRICT**  
31039 428<sup>th</sup> Street  
TABOR, SOUTH DAKOTA 57063

**AUDIT REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2023

*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, 2023

<u>NAME OF BOARD OF DIRECTORS &amp; ADDRESS:</u>			<u>POSITION:</u>
Stacy Frank	40779 293 <sup>rd</sup> St.	Tripp, SD	Chairman
Chuck Murtha	41723 277 <sup>th</sup> St.	Parkston, SD	Vice-Chairman
Larry Schwarz	43332 308 <sup>th</sup> St.	Yankton, SD	Secretary/Treasurer
Paul Baumiller	28120 409 <sup>th</sup> Ave.	Parkston, SD	Member
Joe Fillaus	403 Maple Street	Avon, SD	Member
Terry Hacecky	1012 W 9 <sup>th</sup> St.	Yankton, SD	Member
Lee Herrboldt	43779 290 <sup>th</sup> St.	Menno, SD	Member
Gary Kronaizl	30629 426 <sup>th</sup> Ave.	Tabor, SD	Member
Justin Kronaizl	29605 441 <sup>st</sup> Ave.	Irene, SD	Member
Mark Schaeffer	42804 US Hwy 18.	Menno, SD	Member
Roger Sykora	30107 423 <sup>rd</sup> 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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B-Y WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AN 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, 2023 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 February 29, 2024.

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 2023-001 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

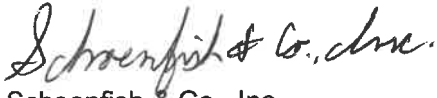
express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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 an 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  
February 29, 2024

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2022-001:

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 2023-001.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Finding Number 2023-001:

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, 2023, 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, 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 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 February 29, 2024, 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.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 February 29, 2024

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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, 2023. This information is presented in conjunction with the audited basic financial statements which follow this section.

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023**

Net position increased by \$736,701 or 2.0%, from \$36,785,804 as of December 31, 2022 to \$37,522,505 as of December 31, 2023.

Operating revenues decreased by \$207,926, or 2.49%, from \$8,345,670 for the year ended December 31, 2022 to \$8,137,744 for the year ended December 31, 2023.

Operating expenses increased by \$577,794, or 8.7%, from \$6,643,839 for the year ended December 31, 2022 to \$7,221,633 for the year ended December 31, 2023.

Interest expense decreased by \$28,920, or 3.33%, from \$868,912 for the year ended December 31, 2022 to \$839,992 for the year ended December 31, 2023.

Capital contributions to the District decreased by \$2,154,347, or 89.38% from \$2,410,433 for the year ended December 31, 2022 to \$256,086 for the year ended December 31, 2023.

The ongoing significant capital projects were 2019-05 City of Mitchell, 2018-02 WTP Site Piping & Tank Rehabilitation, 2019-04 Segment #3 Around Yankton, Mitchell Water Meter Station, Hwy 81 Water Main Relocation, Davison RW SD Soybean Processing, and Parkston Stor-All Water Main Relocation.

#### **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, 2023. 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 2022 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

	<u>2023</u>	<u>2022</u>
Current and Other Assets	10,936,130	10,932,840
Noncurrent Assets	47,996,904	47,935,566
Total Assets	<u>58,933,034</u>	<u>58,868,406</u>
Pension Related Deferred Outflows	<u>209,853</u>	<u>243,531</u>
Long-Term Liabilities	20,573,131	21,331,730
Other Liabilities	912,844	837,721
Total Liabilities	<u>21,485,975</u>	<u>22,169,451</u>
Pension Related Deferred Inflows	<u>134,407</u>	<u>156,682</u>
Net Investment in Capital Assets	25,368,595	24,642,581
Restricted	1,451,459	1,462,846
Unrestricted	10,702,451	10,680,377
Total Net Position	<u>37,522,505</u>	<u>36,785,804</u>

As Table 1 indicates, total assets increased by \$64,628 from \$58,868,406 as of December 31, 2022 to \$58,933,034 as of December 31, 2023. This is comprised of an increase of \$3,290 in current assets from 2022 to 2023 and an increase of \$61,338 in noncurrent assets from 2022 to 2023.

The long-term liabilities reflect a decrease of \$758,599 from 2022 to 2023, and an increase of \$75,123 in current liabilities from 2022 to 2023.

Table 1 also indicates that the total net position increased \$736,701 from 2022 to 2023.

## 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

	2023	2022
Operating Revenues	8,137,744	8,345,670
Nonoperating Revenues	415,884	226,981
Total Revenues	<u>8,553,628</u>	<u>8,572,651</u>
Depreciation Expense	2,247,454	2,189,981
Other Operating Expenses	4,974,179	4,453,858
Nonoperating Expenses	851,380	868,912
Total Expenses	<u>8,073,013</u>	<u>7,512,751</u>
Income Before Capital Contributions	<u>480,615</u>	<u>1,059,900</u>
Capital Contributions	<u>256,086</u>	<u>2,410,433</u>
Change in Net Position	<u>736,701</u>	<u>3,470,333</u>
Ending Net Position	<u><u>37,522,505</u></u>	<u><u>36,785,804</u></u>

Table 2 indicates that the District's total revenues decreased by \$19,023, or 0.22% to \$8,553,628 for the year ended December 31, 2023 from \$8,572,651 for the year ended December 31, 2022.

Total expense increased by \$560,262, or 7.46% during 2023.

Capital contributions to the District decreased by \$2,154,347, or 89.81% for the year ended December 31, 2023 mainly due to project reimbursement from SD DOT in 2022.

### CAPITAL ASSETS

As of December 31, 2023, the District's investment in capital assets, net of depreciation, totaled \$46,699,672, which is a decrease of \$3,534 over the capital asset balance of \$46,703,206 at December 31, 2022. 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

	2023	2022
Land	342,853	342,853
Construction in Progress	1,473,426	711,196
Buildings and Improvements	44,803,196	45,527,632
Furniture and Equip	80,197	121,525
	<u>46,699,672</u>	<u>46,703,206</u>

### LONG TERM LIABILITIES

As of December 31, 2023, the District's had \$21,367,860 in notes and compensated absences payable compared to \$22,093,296 as of December 31, 2022. Principal payments during the year totaled \$729,548 and compensated absences payable increased by \$4,112. Additional information on the District's long-term liabilities is provided in the Notes to the Financial Statements.

Table 4  
Long-Term Liabilities

	2023	2022
Notes Payable	21,331,077	22,060,625
Compensated Absences	36,783	32,671
Total Expenses	<u>21,367,860</u>	<u>22,093,296</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Director's adopted the District's 2024 budget on December 13, 2023. The approval of the year's budget provides funding for the District's operating, capital, and debt service costs for 2024.

### 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, 2023**  
**With Comparative Totals for December 31, 2022**

	2023	2022
<b>ASSETS:</b>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	8,036,552	9,245,630
Certificates of Deposit	1,836,991	560,006
Customer Receivables, (net of allowances for uncollectibles, if any)	582,307	593,854
Interest Receivable	10,918	974
Prepaid Expenses	70,026	63,362
Inventories	399,336	469,014
Total Current Assets	<u>10,936,130</u>	<u>10,932,840</u>
<u>Noncurrent Assets:</u>		
Capital Credits	1,259,956	1,195,100
Equity in Cobank	34,592	34,592
Net Pension Asset	2,684	2,668
<u>Capital Assets:</u>		
Capital Assets, Not Being Depreciated	1,816,279	1,054,049
Capital Assets, Being Depreciated, Net of Depreciation	44,883,393	45,649,157
Total Noncurrent Assets	<u>47,996,904</u>	<u>47,935,566</u>
<b>TOTAL ASSETS</b>	<b>58,933,034</b>	<b>58,868,406</b>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Pension Related Deferred Outflows	209,853	243,531
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>209,853</b>	<b>243,531</b>
<u>LIABILITIES:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	38,796	0
Sales Tax Payable	473	603
Accrued Wages and Payroll Taxes Payable	28,810	25,063
Accrued Interest Payable	41,881	43,563
Unearned Revenues	8,155	6,926
Accrued Compensated Absences- Current Portion	36,783	32,671
Bonds Payable-Current Portion	757,946	728,895
Total Current Liabilities	<u>912,844</u>	<u>837,721</u>
<u>Noncurrent Liabilities:</u>		
Bonds Payable	20,573,131	21,331,730
Total Noncurrent Liabilities	<u>20,573,131</u>	<u>21,331,730</u>
<b>TOTAL LIABILITIES</b>	<b>21,485,975</b>	<b>22,169,451</b>

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

**B-Y WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**  
**With Comparative Totals for December 31, 2022**

	2023	2022
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pension Related Deferred Inflows	134,407	156,682
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>134,407</b>	<b>156,682</b>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	25,368,595	24,642,581
Restricted for SDRS Pension Purposes	78,130	89,517
Restricted for Debt Service	1,373,329	1,373,329
Unrestricted Net Position	10,702,451	10,680,377
<b>TOTAL NET POSITION</b>	<b>37,522,505</b>	<b>36,785,804</b>

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, 2023**

**With Comparative Totals for the Year Ended December 31, 2022**

	2023	2022
<u>OPERATING REVENUES:</u>		
Water Sales	8,052,242	8,257,318
Service Charges	73,469	73,361
Other Revenue	12,033	14,991
Total Operating Revenues	<u>8,137,744</u>	<u>8,345,670</u>
<u>OPERATING EXPENSES:</u>		
Administrative	1,300,732	1,301,093
Source of Supply	145,205	110,385
Pumping	442,765	442,250
Water Treatment	2,520,973	1,868,170
Transmission and Distribution	564,504	731,960
Depreciation and Amortization	2,247,454	2,189,981
Total Operating Expenses	<u>7,221,633</u>	<u>6,643,839</u>
OPERATING INCOME (LOSS)	<u>916,111</u>	<u>1,701,831</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	195,191	16,158
Other Nonoperating Revenue	109,934	112,871
Patronage Dividends Earned	110,759	83,235
Pension Expense/Revenue	(11,388)	14,717
Interest Expense	(839,992)	(868,912)
Total Nonoperating Revenues (Expenses)	<u>(435,496)</u>	<u>(641,931)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	<u>480,615</u>	<u>1,059,900</u>
Capital Contributions - Nonfederal Grants and Members	256,086	197,840
Capital Contributions - Federal	0	2,212,593
CHANGE IN NET POSITION	<u>736,701</u>	<u>3,470,333</u>
TOTAL NET POSITION - BEGINNING	<u>36,785,804</u>	<u>33,315,471</u>
TOTAL NET POSITION - ENDING	<u><u>37,522,505</u></u>	<u><u>36,785,804</u></u>

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, 2023**  
**With Comparative Totals for the Year Ended December 31, 2022**

	2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from Customers	8,065,018	8,270,434
Other Cash Payments Received	85,502	88,352
Payments to Employees	(1,130,842)	(1,101,694)
Payments to Suppliers	(3,733,798)	(3,460,958)
Net Cash Provided by Operating Activities	<u>3,285,880</u>	<u>3,796,134</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Capital Contributions - Nonfederal Grants and Members	256,086	2,410,433
Rental Income	7,087	7,088
Gain on Sale of Capital Assets	3,871	6,330
Contract Fees	98,976	99,453
Acquisition of Capital Assets	(2,243,921)	(2,141,024)
Principal Paid on Long-Term Debt	(729,548)	(700,248)
Interest Paid on Debt	(841,674)	(870,477)
Net Cash (Used In) Capital and Related Financing Activities	<u>(3,449,123)</u>	<u>(1,188,445)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase/Sale of Certificates of Deposit	(1,276,985)	(1,802)
Cash Dividends from Capital Credits	45,903	549
Interest Income	185,247	15,535
Net Cash Provided by Investing Activities	<u>(1,045,835)</u>	<u>14,282</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,209,078)</u>	<u>2,621,971</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,245,630</u>	<u>6,623,659</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>8,036,552</u>	<u>9,245,630</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>		
Operating Income (Loss)	916,111	1,701,831
Adjustments to Reconcile Operating Income to Net Cash Provided:		
Depreciation Expense	2,247,454	2,189,981
Change in Assets and Liabilities:		
Accounts Receivable	11,547	13,520
Prepaid Expenses	(6,664)	(3,012)
Inventories	69,678	(109,672)
Accounts Payable	38,666	177
Accrued Wages and Payroll Taxes	3,747	2,369
Accrued Compensated Absences	4,112	1,344
SDRS Contribution Expense		0
Unearned Revenue	1,229	(404)
Net Cash Provided (Used) by Operating Activities	<u>3,285,880</u>	<u>3,796,134</u>

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

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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, 2023  
(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, 2023.

### **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, 2023, 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, 2023  
(Continued)

capitalized. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not 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 liabilities 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, 2023  
(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

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(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 subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2023 and 2022, 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, 2023 and 2022, 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 2023 and 2022, the allowance for doubtful accounts totaled \$5,561 and \$5,779, respectively.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(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:

	<u>Patronage Equity in Cooperatives</u>	<u>CoBank Equity</u>
Balance as of December 31, 2021	\$ 1,112,652	\$ 34,354
2021 Dividends and Equity:		
Earned	85,644	238
Paid	<u>(3,196)</u>	<u>0</u>
Balance as of December 31, 2022	1,195,100	34,592
2022 Dividends and Equity:		
Earned	110,759	0
Paid	<u>(45,903)</u>	<u>0</u>
Balance as of December 31, 2023	<u>\$ 1,259,956</u>	<u>\$ 34,592</u>

#### 5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	<u>Balance 01/01/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2023</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	342,853			342,853
Construction Work in Progress	711,196	1,978,838	(1,216,608)	1,473,426
<b>Total Capital Assets, Not Being Depreciated</b>	<u>1,054,049</u>	<u>1,978,838</u>	<u>(1,216,608)</u>	<u>1,816,279</u>
<b>Capital Assets, Being Depreciated:</b>				
Building	1,232,394			1,232,394
Utility Plant	97,356,648	1,481,691		98,838,339
Machinery & Equipment	802,480			802,480
<b>Total Capital Assets, Being Depreciated</b>	<u>99,391,522</u>	<u>1,481,691</u>	<u>-</u>	<u>100,873,213</u>
<b>Less Accumulated Depreciation for:</b>				
Building	(589,901)	(32,978)		(622,879)
Utility Plant	(52,471,509)	(2,173,149)		(54,644,658)
Machinery & Equipment	(680,955)	(41,328)		(722,283)
<b>Total Accumulated Depreciation</b>	<u>(53,742,365)</u>	<u>(2,247,455)</u>	<u>-</u>	<u>(55,989,820)</u>
<b>Total Business-Type Activity Capital Assets,   Being Depreciated, Net</b>	<u>45,649,157</u>	<u>(765,764)</u>		<u>44,883,393</u>
<b>Total Business-Type Activity Capital Assets, Net</b>	<u>46,703,206</u>	<u>1,213,074</u>	<u>(1,216,608)</u>	<u>46,699,672</u>

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

Construction Work in Progress at December 31, 2023 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2023	Committed	Required Future Financing
2019-05 City of Mitchell	55,127	55,127	-	-
2018-02 WTP Site Piping	4,038,094	691,624	-	3,346,470
Hwy 81 Water Main Relocation & Tank Rehabilitation	595,925	302,663	293,262	-
2019-04 Segment #3 Around Yankton	379,825	379,825	-	-
Mitchell Water Meter Station	6,048	6,048	-	-
Davison RW - SD Soybean Processing	30,507	30,507	-	-
Parkston Stor - All Water Main Relocation	7,632	7,632	-	-
Total Construction Work in Progress	5,113,158	1,473,426	293,262	3,346,470

## 6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Business-Type Activities:					
USDA Rural Development Notes Payable	18,158,621		(628,260)	17,530,361	654,102
Drinking Water SRF Loan	3,902,004		(101,288)	3,800,716	103,844
Total Debt	22,060,625	-	(729,548)	21,331,077	757,946
Accrued Compensated Absences	32,671	40,063	(35,951)	36,783	36,783
Total Business-Type Activities	22,093,296	40,063	(765,499)	21,367,860	794,729
Total Primary Government	22,093,296	40,063	(765,499)	21,367,860	794,729

Debt payable at December 31, 2023 and 2022 is comprised of the following:

	2023	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.	\$1,622,010	\$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.	\$956,327	\$1,008,262

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

<p>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.</p>	\$441,271	\$462,517
<p>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.</p>	\$259,360	\$271,798
<p>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.</p>	\$5,989,944	\$6,166,448
<p>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.</p>	\$671,116	\$690,001
<p>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.</p>	\$599,678	\$614,603
<p>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.</p>	\$812,113	\$832,293
<p>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.</p>	\$1,554,879	\$1,665,204
<p>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.</p>	\$341,412	\$349,540

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

<p>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.</p>	\$2,970,473	\$3,035,476
<p>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.</p>	\$381,915	\$390,283
<p>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.</p>	\$929,863	\$948,392
<p>Drinking Water-SRF Loan            For Project 2016-01, Quarterly installments Of \$32,396 including interest, 2.50% interest Rate, due January 2050.</p>	\$3,800,716	\$3,902,004
<p>Compensated Absences – Accrued Vacation Payable to District employees as of December 31</p>	\$36,783	\$32,671
	\$21,367,860	\$22,093,296

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

The annual requirements to amortize all liabilities outstanding, except compensated absences, as of December 31, 2023, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities  
December 31, 2023

Year Ending December 31,	Real Estate Mortgage Payable USDA		Drinking Water-SRF #2		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	654,102	719,226	103,844	94,050	757,946	813,276
2025	684,845	688,483	106,465	91,429	791,310	779,912
2026	715,495	657,833	109,151	88,743	824,646	746,576
2027	747,560	625,768	111,906	85,988	859,466	711,756
2028	779,847	593,481	114,730	83,164	894,577	676,645
2039-2033	4,464,337	2,402,303	618,568	370,900	5,082,905	2,773,203
2034-2038	3,765,043	1,469,581	700,656	288,812	4,465,699	1,758,393
2039-2043	3,450,411	808,031	793,639	195,829	4,244,050	1,003,860
2044-2048	1,313,746	226,464	898,961	90,507	2,212,707	316,971
2049-2053	897,773	78,388	242,796	4,571	1,140,569	82,959
2054-2058	57,202	1,966			57,202	1,966
Totals	17,530,361	8,271,524	3,800,716	1,393,993	21,331,077	9,665,517

## 7. RESTRICTED NET POSITION

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

Description	Restricted by	2023	2022
USDA Rural Development	Debt Covenant	\$1,373,329	\$1,373,329
SDRS Pension Purposes	Government Accounting Standards	\$ 78,130	\$ 89,517

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

### Benefits Provided

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

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members,

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The District’s share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021 were \$42,723.12, \$41,585.79, and \$40,840.55, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$	3,984,360
Less proportionate share of net pension restricted for pension benefits	\$	<u>3,987,044</u>
Proportionate share of net pension liability (asset)	\$	<u>(2,684)</u>

At December 31 2023, the District reported a liability (asset) of (\$2,684) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, 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, 2023, the District’s proportion was 0.02749600%, which is a decrease of 0.0007350% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized pension expense (reduction of pension expense) of \$(11,422). At December 31, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 76,072	
Changes in assumption.	91,753	134,122
Net Difference between projected and actual earnings on pension plan investments.	17,867	
Changes in proportion and difference between District contributions and proportionate share of contributions.	2,652	285
District contributions subsequent to the measurement date.	<u>21,509</u>	
<b>TOTAL</b>	<u><b>\$ 209,853</b></u>	<u><b>\$ 134,407</b></u>

\$21,509 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, 2024. 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:

2024	\$ 37,216
2025	(39,751)
2026	52,561
2027	<u>3,911</u>
<b>TOTAL</b>	<u><b>\$ 53,937</b></u>

### Actuarial Assumptions

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

Inflation	2.25 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 or 4.00%.
Future COLAs	2.10%

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position



NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

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:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the net pension liability (asset)	\$ 550,071	\$ (2,684)	\$ 454,732

**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, 2023, 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.

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2023, there were three 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 claim for monetary damages by the Defendant involving a water line easement in Yankton County, South Dakota. A prior court order in the case allowed the District to condemn property for the water line easement. The remaining issue is the finalization of monetary damages. It is not anticipated that this case will involve any substantial damage claim against the District.

The third claim involves a claim for monetary damages by the Defendant involving a water line easement Bon Homme County, South Dakota. A prior court order in the case allowed the District to condemn property for the water line easement. The remaining issue is the finalization of monetary damages. It is not anticipated that this case will involve any substantial damage claim against the District.

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through February 29, 2024, 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 9 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)
2023	0.2749600%	\$ (2,684)	\$ 709,210	0.37%	100.10%
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	0.20%	100.04%
2019	0.0301322%	\$ (3,193)	\$ 640,672	0.50%	100.09%
2018	0.0291091%	\$ (679)	\$ 603,958	0.11%	100.02%
2017	0.0289490%	\$ (2,627)	\$ 584,484	0.45%	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 9 Fiscal Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2023	\$ 42,723	\$ 42,723	\$ -	\$ 712,051	6.00%
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, 2023**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

The June 30, 2023 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2022 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 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety Members.

**Actuarial Assumption Changes**

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was 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, 2023**  
**With Comparative Totals for the Year Ended December 31, 2022**

	2023	2022
<b>SCHEDULE OF WATER SALES</b>		
Residential	4,691,778	4,907,612
Town	2,868,075	2,851,302
Commercial	177,803	178,098
Public Authority	143,614	150,977
Pasture Taps	170,972	169,329
	<u>8,052,242</u>	<u>8,257,318</u>
 <b>SCHEDULE OF OPERATING EXPENSES</b>		
Source of Supply		
Maintenance and Repair	144,783	110,383
Miscellaneous	422	2
	<u>145,205</u>	<u>110,385</u>
 Pumping		
Purchased Power	400,903	414,166
Maintenance and Repair	9,204	4,675
Miscellaneous	32,658	23,409
	<u>442,765</u>	<u>442,250</u>
 Water Treatment		
Utilities	811,460	787,600
Chemicals	1,151,082	734,676
Maintenance and Repair	307,524	104,696
Labor	216,882	214,702
Miscellaneous	34,025	26,496
	<u>2,520,973</u>	<u>1,868,170</u>
 Transmission and Distribution		
Labor	219,088	211,318
Maintenance and Repair	328,582	488,701
Supplies and Materials	2,798	13,031
Miscellaneous	14,036	18,910
	<u>564,504</u>	<u>731,960</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, 2023**

**With Comparative Totals for the Year Ended December 31, 2022**

	2023	2022
General and Administrative		
Employee Fringe Benefits	341,820	336,517
Office Salaries	259,171	246,288
Vehicle Expense	65,007	82,750
Insurance	123,508	112,534
Payroll Taxes	79,840	80,622
Engineer Expense	17,642	18,058
Director Fees	21,900	15,960
Professional Services	80,130	151,768
Repairs and Maintenance	17,344	22,105
Telephone	27,690	11,741
Postage	17,597	13,028
Office Supplies	28,022	24,494
Miscellaneous	8,441	28,003
Equipment and Tools	15,665	7,459
Travel	12,142	9,284
Advertising	6,849	3,393
Water Samples	6,658	7,253
Dues and Subscriptions	49,309	10,627
One Call Expense	8,932	5,359
Utilities	113,065	113,850
	<u>1,300,732</u>	<u>1,301,093</u>

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