

BELLE FOURCHE IRRIGATION DISTRICT
NEWELL, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE THREE YEARS ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

BELLE FOURCHE IRRIGATION DISTRICT
NEWELL, SOUTH DAKOTA

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
Belle Fourche Irrigation District
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Financial Statement Audit:

I have audited the accompanying financial statements of governmental activities and the general fund of the Belle Fourche Irrigation District, Butte County, South Dakota as of December 31, 2021, and for each of the years in the 3-year period then ended, and the related notes to the financial statements. These financial statements collectively comprise Belle Fourche Irrigation District's basic financial statements as listed in the table of contents.

Qualified Opinion on Governmental Activities and the General Fund:

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the general fund of the Belle Fourche Irrigation District, Butte County, South Dakota as of December 31, 2021, and the respective changes in its financial position for each year in the 3-years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

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

Matter Giving Rise to Qualified Opinions on Governmental Activities and the General Fund:

Complete account coding was not available on vouchers or the Reconciliation Detail report making it difficult to trace expense activity into the general ledger. Inventory listing was not sufficient, including quantity and pricing extension errors.

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of these 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.

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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 Belle Fourche Irrigation 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 Responsibility for the Audit of the Financial Statements:

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will 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 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*, I:

- > 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 Belle Fourche Irrigation 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Belle Fourche Irrigation District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belle Fourche Irrigation District's basic financial statements. The accompanying pension schedules (page 26 and 27) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

I have applied certain limited procedures to the 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

Belle Fourche Irrigation District
Independent Auditor's Report -- Page Three

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

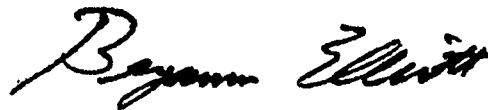
The Belle Fourche Irrigation District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated October 26, 2023 (page 28) on my consideration of Belle Fourche Irrigation District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Belle Fourche Irrigation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belle Fourche Irrigation District's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

October 26, 2023



BELLE FOURCHE IRRIGATION DISTRICT
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	
	-----	-----	-----
ASSETS:			
Current assets:			
Cash and cash equivalents	1,146,707		1,146,707
Accounts receivable - customers	11,290		11,290
Accounts receivable - federal	45,449		45,449
Assessments receivable - current	4,369		4,369
Assessments receivable - prior	6,502		6,502
Inventory of supplies	211,230		211,230
Prepaid insurance	15,540		15,540
Prepaid inlet measurement contract	9,860		9,860
Capital assets:			
Land	1,700		1,700
Other capital assets, net of accumulated depreciation	4,842,926		4,842,926
Restricted assets:			
Checking - SWRMS funding account	5,578		5,578
ICS Sweep - SWRMS special reserve	1,369,877		1,369,877
CD - Bureau of Reclamation Loan Reserve	157,560		157,560
CD - Keyhole project	41,633		41,633
Net pension assets	173,744		173,744
Total assets	8,043,965	0	8,043,965
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	221,040		221,040
Total deferred outflow of resources	221,040	0	221,040
	=====	=====	=====
LIABILITIES:			
Current liabilities:			
Accounts payable	14,070		14,070
Accrued payroll	17,640		17,640
Accrued payroll liabilities	29,085		29,085
Customer deposits	450		450
Leave liability	11,208		11,208
Long-term debt:			
Due in one year	181,604		181,604
Due in more than one year	3,964,155		3,964,155
Total liabilities	4,218,212	0	4,218,212
	=====	=====	=====
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	335,660		335,660
Total deferred inflows of resources	335,660	0	335,660
	=====	=====	=====
NET POSITION:			
Net investment in capital assets	698,867		698,867
Restricted for:			
State Water Resource Management System (SWRMS)	1,375,455		1,375,455
Bureau of Reclamation	157,560		157,560
Keyhole project	41,633		41,633
SDRS pension purposes	59,124		59,124
Unrestricted	1,378,494		1,378,494
Total net position	3,711,133	0	3,711,133
	=====	=====	=====

See accompanying notes.

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Special purpose government:	-----	-----	-----	-----	-----	-----	-----
Governmental activities:							
Public works	1,386,799	13,925		45,449	-1,327,425		-1,327,425
Interest and fees (all)	74,798				-74,798		-74,798
	-----	-----	-----	-----	-----	-----	-----
Total governmental activities	1,461,597	13,925	0	45,449	-1,402,223	0	-1,402,223
Business-type activities:							
None						0	0
	-----	-----	-----	-----	-----	-----	-----
Total business-type activities	0	0	0	0	0	0	0
	-----	-----	-----	-----	-----	-----	-----
Total special purpose government	1,461,597	13,925	0	45,449	-1,402,223	0	-1,402,223
	=====	=====	=====	=====	-----	-----	-----
General revenues:							
Assessment taxes					1,279,857		1,279,857
Special revenue					197,360		197,360
Interest and dividends					3,021		3,021
Rents					1,044		1,044
Miscellaneous revenue					6,034		6,034
Sale of surplus property					13,577		13,577
Insurance proceeds					10		10
					-----	-----	-----
Total general revenue					1,500,903	0	1,500,903
					-----	-----	-----
Change in net position					98,680	0	98,680
Net position, January 1, 2021					3,612,453		3,612,453
					-----	-----	-----
Net position, December 31, 2021					3,711,133	0	3,711,133
					=====	=====	=====

See accompanying notes.

BELLE FOURCHE IRRIGATION DISTRICT

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Special purpose government:							
Governmental activities:							
Public works	1,343,164	11,419		66,125	-1,265,620		-1,265,620
Interest and fees (all)	76,370				-76,370		-76,370
Total governmental activities	1,419,534	11,419	0	66,125	-1,341,990	0	-1,341,990
Business-type activities:							
None						0	0
Total business-type activities	0	0	0	0	0	0	0
Total special purpose government	1,419,534	11,419	0	66,125	-1,341,990	0	-1,341,990
General revenues:							
Assessment taxes					1,408,029		1,408,029
Special revenue					166,239		166,239
Interest and dividends					1,845		1,845
Rents					4,500		4,500
Miscellaneous revenue					333		333
Sale of surplus property					3,394		3,394
Total general revenue					1,584,340	0	1,584,340
Change in net position					242,350	0	242,350
Net position, January 1, 2020					3,370,103		3,370,103
Net position, December 31, 2020					3,612,453	0	3,612,453

See accompanying notes.

BELLE FOURCHE IRRIGATION DISTRICT

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Special purpose government:							
Governmental activities:							
Public works	1,461,978	7,065		40,004	-1,414,909		-1,414,909
Interest and fees (all)	77,837				-77,837		-77,837
Total governmental activities	1,539,815	7,065	0	40,004	-1,492,746	0	-1,492,746
Business-type activities:							
None						0	0
Total business-type activities	0	0	0	0	0	0	0
Total special purpose government	1,539,815	7,065	0	40,004	-1,492,746	0	-1,492,746
General revenues:							
Assessment taxes					1,332,977		1,332,977
Special revenue					160,507		160,507
Interest and dividends					70,566		70,566
Rents					6,300		6,300
Miscellaneous revenue					6,654		6,654
Sale of surplus property					3,621		3,621
Insurance proceeds					14,804		14,804
Total general revenue					1,595,429	0	1,595,429
Change in net position					102,683	0	102,683
Net position, January 1, 2019					3,468,192		3,468,192
Adjust inventory					-200,772		-200,772
January 1, 2019, restated					3,267,420	0	3,267,420
Net position, December 31, 2019					3,370,103	0	3,370,103

See accompanying notes.

BELLE FOURCHE IRRIGATION DISTRICT
GOVERNMENTAL FUND - BALANCE SHEET
AS OF DECEMBER 31, 2021

	General Fund -----
ASSETS:	
Cash and cash equivalents	1,146,707
Accounts receivable - customers	11,290
Accounts receivable - federal	45,449
Assessment taxes receivable - current	4,369
Assessment taxes receivable - delinquent	6,502
Inventory of supplies	211,230
Prepaid insurance	15,540
Prepaid inlet measurement contract	9,860
Restricted assets:	
Checking - SWRMS funding account	5,578
ICS Sweep - SWRMS special reserve	1,369,877
Certificate of deposit - Bureau of Reclamation Loan Reserve	157,560
Certificate of deposit - Keyhole	41,633

Total assets	3,025,595 =====
LIABILITIES:	
Accounts payable	14,070
Accrued payroll	17,640
Accrued payroll liabilities	29,085
Customer deposits	450

Total liabilities	61,245
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - prior period tax assessments	6,502

Total deferred inflows of resources	6,502
FUND BALANCE:	
Nonspendable	236,630
Restricted	1,574,648
Committed	0
Assigned	0
Unassigned	1,146,570

Total fund balance	2,957,848
Total liabilities, deferred inflows of resources and fund balance	----- 3,025,595 =====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position	
Total fund balance - governmental funds (above)	2,957,848
Amounts reported in the government-wide statement of net assets are different because:	
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Capital assets are:	20,204,777
Less: accumulated depreciation	-15,360,151
These pension related amounts are not an available financial resource and therefore are not reported in the funds.	
Net pension asset	173,744
Deferred outflow of resources	221,040
Deferred inflow of resources	-335,660
Assets such as assessment taxes receivable (delinquent) are Not available to pay for current period expenditures and therefore are deferred in the funds.	6,502
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long term liabilities at year end consist of:	
Long term debt	-4,145,759
Accrued leave payable	-11,208

Total net position on government-wide statement of net position	3,711,133 =====
See accompanying notes.	

BELLE FOURCE IRRIGATION DISTRICT
GOVERNMENTAL FUND - STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE THREE YEARS ENDING DECEMBER 31, 2021

	General Fund 12-31-2021	General Fund 12-31-2020	General Fund 12-31-2019
Revenue:			
Revenue from local sources:			
Assessment taxes	1,308,847	1,422,448	1,362,427
Special revenue	197,360	166,239	160,507
Intergovernmental revenue:			
Federal Bureau of Reclamation:			
Beresford Lateral			40,004
Herman Lateral		66,125	
Jensen lateral	45,449		
Charges for goods and services:			
Custom work and material sales	13,925	11,419	7,065
Miscellaneous revenue:			
Interest and dividends	3,021	1,845	70,566
Rents	1,044	4,500	6,300
Other	6,034	333	6,654
Total revenues	1,575,680	1,672,909	1,653,523
Expenditures:			
Current:			
Public works:			
Operating expenses	1,205,080	1,081,379	1,163,854
Purchase of capital assets	107,347	18,538	100,374
Debt service	179,858	178,286	163,154
Interest expense on long-term debt	74,798	76,370	77,837
Total expenditures	1,567,083	1,354,573	1,505,219
Excess of revenues over (under) expenditures	8,597	318,336	148,304
Other financing sources (uses):			
Sale of surplus property	13,577	3,394	3,621
Insurance proceeds	10		14,804
Net change in fund balance	22,184	321,730	166,729
Fund balance:			
January 1, 2019			2,647,977
Adjust inventory			-200,772
January 1, 2019, adjusted			2,447,205
December 31, 2019		2,613,934	2,613,934
December 31, 2020	2,935,664	2,935,664	
December 31, 2021	2,957,848		
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.			
Net change in fund balances - total governmental funds (above)	22,184	321,730	166,729
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. Current year capital outlays are:	107,347	18,538	100,374
Current year depreciation is:	-227,683	-208,110	-219,195
Some property taxes will not be collected for several months after the District's year-end. Therefore, they are not considered "available" revenues and are deferred in the governmental funds. Deferred taxes receivable decreased by	-28,988	-14,419	-33,217
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in funds	45,962	-53,675	-63,954
Current debt principal (increase) decrease is not reported in the governmental fund statement:			
Accrued leave increased by	0	0	-11,208
Long-term debt decreased by	179,858	178,286	163,154
Change in net assets on government-wide statement of activities	98,680	242,350	102,683

See accompanying notes.

Belle Fourche Irrigation District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Belle Fourche Irrigation District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The reporting entity included in this report is controlled by or dependent upon the Belle Fourche Irrigation District's (District) Board of Directors.

District's officials at December 31, 2021 are:

Board Members:	Secretary:
Randy Oliver, Chairperson	Tara Tennis
Joel Brunner	Secretary/Treasurer:
Steve Gatzke	Deb Steele
Bryant Herman	Manager:
Graham Lewis	Tristan Clements
Jeff Smeenk	Attorney:
Mari Monda Zdunic	Barnaud Law Firm

Belle Fourche Irrigation District (District) is a political subdivision of the State of South Dakota and is exempt from federal income taxes. The District was formed for the purpose of providing services and delivering irrigation water to land users in the vicinity of the Belle Fourche River in western South Dakota.

In conformity with Government Accounting and Financial Reporting Standards, Belle Fourche Irrigation District is the reporting entity for financial reporting purposes. The District is governed by a seven member board elected by registered voters of the District. The financial statements of the District include the general fund controlled by the Board. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity. The District does not have to prepare a budget that is subject to approval by the state of South Dakota. The District can issue debt without the permission of the state of South Dakota.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include the general fund of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through assessment taxes, intergovernmental revenues, and other non-exchange revenues. The District has no business-type activities.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements:

The fund financial statements include specific information about the District's only fund, the general fund. The general fund is a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures. The general fund is a governmental fund. The District has no enterprise or fiduciary funds. Because the District has only a general fund, it is the major fund of the District.

Governmental Funds

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources and operations of the District.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus

Government-wide Financial Statements:

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

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income and changes in net position during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

In the fund financial statements, governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Basis of Accounting

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including assessment taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in a governmental fund to be available if the revenues are collected within 60 days after year-end. The revenues which are accrued at December 31, 2021 are assessment taxes, grants, and other accounts receivable.

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

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. However, the District budgets for, and makes payment of, debt obligations (if any) due on January 1st as of December 31st, the end of the District's fiscal year.

d. Cash and Cash Equivalents:

For purposes 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.

e. Accounts and Assessments Receivable:

Accounts and assessments receivable are stated at unpaid balances expected to be collected from users of the irrigation water assessments. No allowance for uncollectible assessments or receivables is maintained because assessments are secured by a tax lien on the property assessed and receivables are considered collectible by management.

f. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for the governmental fund inventories.

Governmental activities and governmental fund inventories consists of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Nonspendable fund balance related to inventory are reported net of related liabilities (accounts payable).

g. Capital Assets and Infrastructure assets:

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

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2021 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities. Accumulated depreciation is reported on the government-wide statement of net position. See Schedule One on page 24.

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

	Capitalization Threshold	Depreciation Amortization Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	600	Straight-line	31.5-90
Improvements	600	Straight-line	31.5-90
Equipment	600	Straight-line	5-7
Vehicles	600	Straight-line	5

Land is an inexhaustible capital asset and is not depreciated. Construction-in-progress, if any, is not depreciated.

Fund Financial Statements:

In the fund financial statements, governmental funds account for capital asset purchases as expenditures of the general fund upon acquisition.

h. Long-term Liabilities:

The accounting treatment for long-term liabilities depends on whether they are reported in the government-wide or fund financial statements. Long-term liabilities are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of loans and accrued vacation. In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. See Schedule Two on page 25.

Annual leave is earned by the full-time employees at a rate of 6 to 20 days per year based on the number of years of service. Upon termination, the employees are entitled to receive compensation for their accrued annual leave up to 80 hours.

i. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's participation in the South Dakota Retirement System's (SDRS) defined benefit pension plan. (Note 10) They will not be recognized as an outflow of resources until the applicable future period. There are no deferred outflows of resources reported in the general fund balance sheet in the current year.

The District reports decreases in net position that relate to a future period or periods as deferred inflows of resources in a separate section of its government-wide statement of net position. Deferred inflows of resources reported in the District's Statement of Net Position relate to the District's participation in the SDRS's defined benefit pension plan.

Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the general fund: (1) assessment taxes levied but not collected within the available period and (2) assessment taxes collected within the available period that are intended to finance the next calendar year's operation.

j. Program Revenues and General Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's irrigation water users. Program revenues are classified into three categories, as follows:

1. Charges for Services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Operating Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in the District's operations.
3. Capital Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in the District's operations.

General revenues include all revenues not specifically earmarked for District's operations. General revenues include all assessment taxes, investment earnings, unrestricted receipts from other governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the District.

k. Net Position and Fund Balance:

Government-wide Statements:

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 positions are available.

Net Position includes the following three components:

1. Net investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any debt 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 creditor, 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 positions that do not meet the definition of "restricted" or "net invested in capital assets".

Fund Financial Statements:

General fund equity is classified as "Fund Balance", and is distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components.

1. Fund Balance Classification Policies and Procedures:

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

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Secretary/Treasurer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds (if any).

Belle Fourche Irrigation District fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Inventories		211,230
	Prepaid insurance		15,540
	Prepaid inlet measurement contract		9,860
Restricted	SWRMS funding account		5,578
	SWRMS special reserve		1,369,877
	Bureau of Reclamation loan reserve		157,560
	Keyhole project		41,633
Committed			0
Assigned			0
Unassigned	General		1,146,570

			2,957,848

m. Application of Net Position:

The District uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made that are applicable to more than one of these balances.

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

n. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated service lives
- * Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RISK

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

Deposits - The District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6.1 and 9-22-6.2 and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2021 were as follows: Insured (via sweep accounts) \$2,437,396 Insured (by bank) \$275,366, Collateralized ** \$0, for a total of \$2,712,762.

** Uninsured, collateral jointly held by state's/District's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2021 was \$2,721,355.

Cash Equivalents - Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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 credit risk. At December 31, 2021, the District's deposits in financial institutions were not exposed to custodial credit risk as all deposits were FDIC insured.

Custodial Credit Risk (Investments) - The State 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 deposited/invested in any one institution. All District deposits are with First National Bank, Newell, South Dakota.

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.

During the three years ending December 31, 2021 the District had no investments.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. INVENTORY

Government-wide Statements: (consumption method)

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory of supplies and small tools are recorded at cost.

Donated items, if any, are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at December 31, 2021 is estimated to be \$211,230 primarily for small tools and supplies.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. The cost valuation method is first-in first-out. Donated items are valued at estimated market value at the date of receipt. Inventory at December 31, 2021 is estimated to be \$211,230 primarily for small tools and supplies.

6. CHANGES IN CAPITAL ASSETS (see Schedule One)

A summary of changes in capital assets for the three years ending December 31, 2021 is found on Schedule One at the end of these footnotes. There is no construction-in-progress at December 31, 2021.

7. LIABILITIES (see Schedule Two)

A summary of changes in long-term liabilities for the three years ending December 31, 2021 is found on Schedule Two at the end of these footnotes. The District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

8. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Restricted by:	Purpose:	Amount
State Water Resource Management System (SWRMS)	Reserve	\$1,375,455
Bureau of Reclamation	Loan Reserve	157,560
Keyhole Project	Reserve	41,633
South Dakota Retirement System	Pension	59,124

	Total restricted net position	\$1,633,772

9. PROPERTY ASSESSMENT

Property assessments are levied on or before January 31 for the previous calendar year, are payable in one installment on or before April 30, and attach as an enforceable lien on property as of the following November 10. The District assesses \$25.77 per Class 1 acre, \$24.27 per Class 2 acre, \$20.95 per Class 3 acre, and \$19.81 per Class 4 acre of irrigable property where the District's services are utilized.

10. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

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 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 South Dakota Codified Law 3-12. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or 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 service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

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

Members that were hired on or 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 long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial

Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary.

State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the years ending December 31, 2021, 2020 and 2019 were \$30,020, 30,913, and 28,231, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2021 SDRS is 105.53% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the District as of this measurement period ending June 30, 2021 and reported by the District as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 3,145,863
Less: Proportionate share of net position restricted for pension benefits	(3,319,607)

Proportionate share of net pension (asset)/liability	\$ (173,744)
	=====

At December 31, 2021 the District reported a (asset)/liability of \$(173,744) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (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, 2021, the District's proportion was .000226870 which is a decrease of .000004447 over its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized net pension (expense reduction) of \$45,962.

At December 31, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,238	\$ 456
Change in assumptions	199,803	87,008
Net difference between projected and actual earnings on pension plan investments	0	248,196
Changes in proportion and difference between client contribution and proportionate share of contributions	-11	
District contributions subsequent to the measurement date	15,010	
	-----	-----
Totals	221,040	335,660
	(15,010)	=====
	(335,660)	

To be amortized over 4 years	(129,630)	
	=====	

The \$15,010 reported as deferred outflow of resources related to the pension, results from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2022	\$ (31,928)
December 31, 2023	(21,778)
December 31, 2024	(6,093)
December 31, 2025	(69,831)

	\$ (129,630)

Actuarial Assumptions:

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investments

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 (ie: 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 weighting 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, 2021 (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%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%

	100.0%	
	=====	

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the net pension (asset)/liability	\$281,334	\$(173,744)	\$(543,161)

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in a separately issued SDRS financial report.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the three years ending December 31, 2021 the District managed its risks as follows:

Health:

The District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability:

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior

policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expense whether reported or unreported at the time of their departure from SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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

Workmen's Compensation:

The District joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The District pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The 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.

12. TAX ABATEMENTS

As of December 31, 2021 the District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

13. LITIGATION

The District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the District's financial statements.

14. SUBSEQUENT EVENT

In January 2022 the District received a Bureau of Reclamation \$75,000 award for the Indian Creek Lateral Piping Project (Dodson Pipeline). The total project will cost \$155,631.

BELLE FOURCHE IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE THREE YEARS ENDING DECEMBER 31, 2021

	Beginning	2019	2020	2021	Ending	Accumulated	2019	2020	2021	Accumulated	Remaining
	12-31-18	Additions	Additions	Additions	12-31-21	Depreciation	Additions	Additions	Additions	Depreciation	Cost
	12-31-18	Deletions	Deletions	Deletions	12-31-21	12-31-18	Deletions	Deletions	Deletions	12-31-21	12-31-21
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Non-depreciable:											
Land	1,700				1,700	0				0	1,700
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	1,700	0	0	0	1,700	0	0	0	0	0	1,700
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Depreciable:											
Buildings	183,431				183,431	-157,064	-3,313	-3,312	-967	-164,656	18,775
Buildings - SWRMS	0	4,926,493			4,926,493	0	-123,162	-129,478	-123,163	-375,803	4,550,690
Office equipment	12,053	1,591	2,070	971	16,685	-5,481	-148	0	-3,002	-8,631	8,054
Equipment	1,002,467	70,948	5,963	76,551	1,155,929	-785,405	-57,453	-59,107	-65,847	-967,812	188,117
Motor vehicles	220,692	16,000	10,505	29,825	277,022	-165,007	-17,898	-1,051	-24,544	-208,500	68,522
Automation system	626,399	11,834			638,233	-579,980	-24,163	-15,161	-10,161	-629,465	8,768
US Contract:											
Keyhole	60,000				60,000	-60,000				-60,000	0
Irrigation system	12,945,284				12,945,284	-12,945,284				-12,945,284	0
Construction-in-progress	4,926,493	-4,926,493			0	0				0	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	19,976,819	100,373	18,538	107,347	20,203,077	-14,698,221	-226,137	-208,109	-227,684	-15,360,151	4,842,926
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BELLE FOURCHE IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM DEBT
FOR THE THREE YEARS ENDING DECEMBER 31, 2021

	Beginning Balance 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	2021 Additions (Deletions)	Governmental Ending Balance 12-31-21	Principal Due in 2022
GOVERNMENTAL - DIRECT BORROWING						
2014-69 State Water Resources Management System (SWRMS) loan:						
Loan No. 2014-69						
Original Loan Amount of \$2,477,693.57						
Maturing May 2059						
Interest at 3.00%						
Payable from operation revenues						
Secured by a statutory mortgage						
and special assessment						
Paid by the General Fund	2,477,693	-16,225	-33,183	-34,186	2,394,099	35,219
Bureau of Reclamation loan:						
Contract No. 5-07-60-WR170						
Maturing 2035						
Interest at ZERO						
Payable from operation revenues						
Secured by a statutory mortgage						
Paid by the General Fund	2,065,636	-121,508	-121,508	-121,508	1,701,112	121,508
2016 Butler Machinery Company Installment Contract:						
Maturing August 2023						
Interest at 2.95%						
Payable from operation revenues						
Secured by equipment						
Paid by the General Fund	121,170	-22,863	-23,595	-24,164	50,548	24,877
GOVERNMENTAL - OTHER DEBT						
Accrued leave payable:						
Paid by the general fund	11,208				11,208	11,208
Total	4,675,707	-160,596	-178,286	-179,858	4,156,967	192,812

Payment Schedules:	Total Payment	Principal	Interest	Remaining Balance
2014-69 State Water Resources Management System (SWRMS) loan:				
2022	106,780	35,219	71,561	2,358,880
2023	106,780	36,284	70,496	2,322,596
2024	106,781	37,381	69,400	2,285,215
2025	106,780	38,510	68,270	2,246,705
2026	106,780	39,674	67,106	2,207,031
2027-2031	533,901	217,101	316,800	1,989,930
2032-2036	533,902	251,955	281,947	1,737,975
2037-2041	533,901	292,404	241,497	1,445,571
2042-2046	533,902	339,347	194,555	1,106,224
2047-2051	533,901	393,826	140,075	712,398
2052-2056	533,902	457,051	76,851	255,347
2057-2059	266,951	255,347	11,604	0
Totals	4,004,261	2,394,099	1,610,162	
Bureau of Reclamation loan:				
2022	121,508	121,508	0	1,579,604
2023	121,508	121,508	0	1,458,096
2024	121,508	121,508	0	1,336,588
2025	121,508	121,508	0	1,215,080
2026	121,508	121,508	0	1,093,572
2027-2031	607,540	607,540	0	486,032
2032-2035	486,032	486,032	0	0
Totals	1,701,112	1,701,112	0	
2016 Butler Machinery Company Installment Contract:				
2022	26,698	24,877	1,821	25,671
2023	26,368	25,671	697	0
Totals	53,066	50,548	2,518	

BELLE FOURCHE IRRIGATION DISTRICT
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	District's Pension Allocation Percentage	District's Proportionate Share of Net Pension (Asset) Liability	District's Covered Employee Payroll for a June 30th Year End	District's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2021	0.0226870%	-173,744	514,850	(33.75%)	105.52%
June 30, 2020	0.0231317%	-1,005	507,667	(00.20%)	100.04%
June 30, 2019	0.0221223%	-2,344	470,367	(00.50%)	100.09%
June 30, 2018	0.0241545%	-563	527,369	(00.11%)	100.02%
June 30, 2017	0.0229108%	-2,079	465,500	(00.45%)	100.10%
June 30, 2016	0.0235796%	79,650	483,695	16.47%	96.89%
June 30, 2015	0.0223510%	-94,797	405,801	(23.36%)	104.10%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset) liability which is 6-30 of the District's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

BELLE FOURCHE IRRIGATION DISTRICT
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

District's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
December 31, 2021	30,020	30,020	0	500,333	6.00%
December 31, 2020	30,913	30,913	0	515,217	6.00%
December 31, 2019	28,231	28,231	0	470,517	6.00%
December 31, 2018	30,325	30,325	0	505,417	6.00%
December 31, 2017	28,682	28,682	0	478,033	6.00%
December 31, 2016	27,664	27,664	0	461,067	6.00%
December 31, 2015	27,392	27,392	0	456,533	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes.

BELLE FOURCHE IRRIGATION DISTRICT
DECEMBER 31, 2021

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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 0.0% (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%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the December 31, 2021 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the December 31, 2021 actuarial valuation.

Actuarial Method Changes:

No changes in actuarial methods were made since the prior valuation.

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*

Governing Board
Belle Fourche Irrigation District
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities and the general fund of the Belle Fourche Irrigation District (District), Butte County, South Dakota, as of and for the 3-years ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my qualified opinions report thereon dated October 26, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Belle Fourche Irrigation District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Belle Fourche Irrigation District's internal control.

A *deficiency in internal control* exist 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 Belle Fourche Irrigation 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Management's Responses as items 2021-01, 2021-02, and 2021-03, that I consider to be material weaknesses.

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and responses. The District's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Report on Internal Control and Compliance and Other Matters
Page Two

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Belle Fourche Irrigation District in a separate Letter of Comments dated October 26, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Belle Fourche Irrigation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

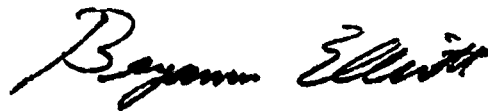
I did note minor matters involving compliance that I reported to the governing body and management of the Belle Fourche Irrigation District in a separate Letter of Comments dated October 26, 2023.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Belle Fourche Irrigation District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belle Fourche Irrigation District's internal control over financial reporting 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



October 26, 2023

BELLE FOURCHE IRRIGATION DISTRICT
DECEMBER 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

2018-001: Segregation of Duties -- Repeated below at 2021-01
2018-002: Review and Approval -- Repeated below at 2021-02
2018-003: Preparation of Financial Statements -- Repeated below at 2021-03

SCHEDULE OF CURRENT AUDIT FINDINGS AND MANAGEMENT'S RESPONSES

Part I - Summary of the Audit:

Financial Statements:

Type of auditor's report issued:	Qualified on: Governmental Activities General Fund
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Material noncompliance noted:	None Reported
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Internal control over financial reporting:

* Material weakness(es) identified?	Finding 2021-01 Finding 2021-02 Finding 2021-03
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* Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
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Part II - Findings Relating to the Financial Statements

Finding 2021-01: Segregation of Duties
(internal control over financial reporting - also reported in 2018)

Condition: The District has a lack of segregation of duties due to the limited staff size. I specifically noted a lack of segregation related to receiving customer payments, recording transactions, reconciling receipts and receivables, and maintaining custody of assets.

Criteria: Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. Segregation of duties is a fundamental concept in a good system of internal controls. Although the number of employees may limit the ability to separate specific functions, proper review of reconciliations and monitoring of other activities is critical in a small government.

Cause of the Condition: The number of office personnel prevents proper segregation of duties and limits the oversight or monitoring of key accounting functions.

Effect: There is a potential that intentional or unintentional errors could be made and not be detected.

Recommendation: Management of the District should be aware of this condition, understanding the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control perspective. Under these conditions, the most effective controls lie in management's knowledge of matters relating to the operations of the District. I specifically recommend all reconciliations and subsidiary ledgers related to receipts of property assessments proceeds, receivables and the related deferred revenue and other significant balance sheet accounts be reviewed by someone other than the person primarily responsible for performing the reconciliations or maintaining the subsidiary ledger to ensure accuracy and agreement with the general ledger.

SCHEDULE OF CURRENT AUDIT FINDINGS AND MANAGEMENT'S RESPONSES

(continued)

Management Response: Management agrees with the finding and related recommendations. The District accepts the risk associated with the Secretary/Treasurer performing incompatible duties due to cost considerations. Management will implement suggested controls wherever cost effective for the District.

Finding 2021-02: Review and Approval

(internal control over financial reporting - also reported in 2018)

Condition: The District lacks an appropriate system of internal controls to ensure year-end reconciliations and all year-end entries are properly made as part of their year-end closing process.

Criteria: Year-end reconciliations and closing entries should be performed by the accountant and approved by a member of management capable of identifying error. Performing an adequate closing process at year-end results in accurate financial reporting.

Cause of the Condition: The District is not properly reviewing all of the necessary year-end entries and reconciliations to ensure accurate balances are presented in the financial statements. Material adjustments were noted in inventory.

Effect: There were various corrections identified by the auditor to properly state amounts presented within the financial statements of the District.

Recommendation: I recommend management undergo training on year-end closing and reconciliation procedures and develop a process of review and documentation of the review of the year-end work performed. These review should be documented by initialing the reconciliations and/or supporting documentation to indicate approval.

Management Response: Management agrees with the finding and related recommendations. Management will implement suggested controls wherever cost effective for the District.

Finding 2021-03: Preparation of Financial Statements and Notes

(internal control over financial reporting - also reported in 2018)

Condition: The District lacks the ability to prepare financial statements and related notes.

Criteria: Management is responsible for establishing internal controls over the preparation of the financial statements and drafting the financial statements. The District should have a system of internal controls in place related to the preparation of the financial statements.

Cause of the Condition: The District does not have a system of internal controls in place to prepare the financial statements, which is common for an organization of this size due to the limited number of staff.

Effect: The District engages its auditor to draft the financial statements and related notes. There is a risk that errors may occur and not be detected.

SCHEDULE OF CURRENT AUDIT FINDINGS AND MANAGEMENT'S RESPONSES

(continued)

Recommendation: It is the responsibility of management and those charged with governance to make a the decision whether to accept the degree of risk associated with the District's auditor to draft the financial statements because of cost or other considerations. If the District chooses not to accept this risk, a third-party accountant should be engaged to prepare the draft financial statements and related notes.

Management Response: Management agrees with the finding and related recommendations. The District accepts the risk associated with the District's auditor drafting the financial statements.