

BUTTE-MEADE SANITARY WATER DISTRICT  
NEWELL, SOUTH DAKOTA

\*\*\*\*\*

FINANCIAL REPORT

FOR THE ONE YEAR ENDING DECEMBER 31, 2022

WITH INDEPENDENT AUDITOR'S REPORTS

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**INDEPENDENT AUDIT SERVICES, P.C.**

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

BUTTE-MEADE SANITARY WATER DISTRICT  
NEWELL, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2022

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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, P.C.**

Benjamin Elliott, CPA  
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Madison, South Dakota 57042  
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Governing Board  
Butte-Meade Sanitary Water 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 the Butte-Meade Sanitary Water District (District), Newell, South Dakota as of December 31, 2022, and for the one year then ended, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

*Opinion:*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Butte-Meade Sanitary Water District, Newell, South Dakota as of December 31, 2022, and the changes in its financial position and cash flows thereof for the one year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion:*

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 Butte-Meade Sanitary Water District, Newell, 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 audit opinion.

*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. 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 Butte-Meade Sanitary Water 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 opinion. 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.

Butte-Meade Sanitary Water District  
Independent Auditor's Report -- Page Two

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 Butte-Meade Sanitary Water 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):*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 5) and pension schedules (page 23 and 24) 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 Government 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. I 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 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.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 13, 2023 (page 26) on my consideration of Butte-Meade Sanitary Water 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 Butte-Meade Sanitary Water 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 Butte-Meade Sanitary Water District's internal control over financial reporting and compliance.

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



November 13, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Butte-Meade Sanitary Water District's (District) financial report presents our discussion and analysis of the District's financial performance for the one year ending December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

2022

#### Revenue:

Water sales	1,072,159
Hook up fees	6,000
Material sales	42,242
Other revenue	19,538
Interest and dividends	4,232
	-----
Total	1,144,171
	-----

#### Expenses:

Payroll and related	487,608
Supplies and maintenance	109,835
Other operating	196,463
Interest expense and fees	54,468
Depreciation	152,902
Pension expense reduction	-7,384
	-----
Total	993,892
	-----

Increase in Net Position 150,279

#### Net Position:

January 1, 2021	2,672,461
	-----
December 31, 2022	2,822,740
	=====

#### During 2022, the District:

- \* Completed various line replacements for \$41,540.
- \* Completed Vale Well building improvements for \$7,119.
- \* Purchased two vehicles from federal surplus property for \$23,600.
- \* Made principal payments on five loans of \$126,587.

In 2022 water sales of \$1,072,159 was a decreased of \$35,083 or 3.17% from 2021 due to decreased livestock demand. Customers buy material from the District at cost plus sales tax. In 2022 material sales of \$42,242 was an increase of \$2,094 or 5.22% from 2021.

### BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This report consists of three parts: (1) management's discussion and analysis (page 3 to 5), (2) the basic financial statements (page 6 to 22) and (3) required supplementary information (page 23 to 25). The basic financial statements also include notes that explain some financial statement information in more detail.

The statement of net position reports all financial and capital resources. This statement presents assets and liabilities in order of relative liquidity. The liabilities with future maturities are presented in two components - the amounts due within one year and the amounts due in more than one year. The long-term liabilities of the District consist of notes and bonds payable and are presented in these two components. The District's assets plus deferred outflow of resources less liabilities and deferred inflow of resources will equal the District's net position.

## SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2022, the District had invested \$3,215,165 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$62,122 or 2.10% from December 31, 2021. The capitalization thresholds remain unchanged.

Significant capital asset activity is reported above. See page 20 for more information.

## SIGNIFICANT LONG-TERM LIABILITIES

Significant long-term liabilities are reported above. See page 21 for more information.

## MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes = changes greater than \$75,000)

	Increase (Decrease)	Reason
Other assets	(96,445)	South Dakota Retirement System activity
Noncurrent liabilities	(101,689)	Principal payments
Deferred inflow	(125,633)	South Dakota Retirement System activity

## CURRENTLY KNOWN FACTS

The District has been approved to be on the State Water Plan for a new tank, well and water lines. This project is expected to cost approximately \$3.5 million and is expected to be funded from a SRF loan at 1.875% over 30 years.

In February 2022 the District paid-off a bank loan for \$45,062 plus interest.

In 2022 the District approved a new Employee Handbook.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Butte-Meade Sanitary Water District's business office at 117 Girard Avenue, Newell, South Dakota 57760.

BUTTE-MEADE SANITARY WATER DISTRICT  
 -- An Enterprise Fund --

TABLE 1 - NET POSITION (condensed)  
 AS OF DECEMBER 31, 2022 and 2021

	2022	2021	Amount of Change	% of Change
	-----	-----	-----	-----
<b>Assets:</b>				
Cash	462,494	426,046	36,448	8.55
Other current assets	222,630	180,232	42,398	23.52
Capital assets	3,215,165	3,284,287	-69,122	-2.10
Other assets	202,913	299,358	-96,445	-32.22
Deferred outflow of resources	116,459	132,261	-15,802	-11.95
	-----	-----	-----	-----
Total	4,219,661	4,322,184	-102,523	-2.37
	=====	=====	=====	=====
<b>Liabilities:</b>				
Current liabilities	220,227	245,707	-25,480	-10.37
Noncurrent liabilities	1,101,925	1,203,614	-101,689	-8.45
Deferred inflow of resources	74,769	200,402	-125,633	-62.69
	-----	-----	-----	-----
Total	1,396,921	1,649,723	-252,802	-15.32
	=====	=====	=====	=====
<b>Net position:</b>				
Net invested in capital assets	2,048,093	1,990,628	57,465	2.89
Restricted:				
Debt service	120,951	107,558	13,393	12.45
SDRS pension purposes	42,975	35,591	7,384	20.75
Unrestricted	610,721	538,684	72,037	13.37
	-----	-----	-----	-----
Total	2,822,740	2,672,461	150,279	5.62
	=====	=====	=====	=====

TABLE 2 - CHANGES IN NET POSITION (condensed)  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	2022	2021	Amount of Change	% of Change
	-----	-----	-----	-----
<b>Revenues:</b>				
Water sales	1,072,159	1,107,242	-35,083	-3.17
Other revenue	67,780	68,568	-788	-1.15
Interest and refunds	4,232	3,776	456	12.08
	-----	-----	-----	-----
Total revenues	1,144,171	1,179,586	-35,415	-3.00
	-----	-----	-----	-----
<b>Expenses:</b>				
Payroll and related	487,608	505,347	-17,739	-3.51
Supplies and maintenance	109,835	98,625	11,210	11.37
Other operating	196,463	206,762	-10,299	-4.98
Interest expense and fees	54,468	59,940	-5,472	-9.13
Depreciation	152,902	152,860	42	0.03
Pension expense (reduction)	-7,384	-28,621	21,237	-74.20
	-----	-----	-----	-----
Total expenses	993,892	994,913	-1,021	-0.10
	-----	-----	-----	-----
Revenues over (under) expenses	150,279	184,673	-34,394	-18.62
	-----	-----	-----	-----
Capital contributions	0	0	0	0
	-----	-----	-----	-----
Net position increase (decrease)	150,279	184,673	-34,394	-18.62
	-----	-----	-----	-----
<b>Net position:</b>				
December 31, 2020		2,487,788		
		-----		
December 31, 2021	2,672,461	2,672,461		
	-----	=====		
December 31, 2022	2,822,740			
	=====			

BUTTE-MEADE SANITARY WATER DISTRICT  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2022

ASSETS

Current assets:

Petty cash	222
Checking	147,690
Savings	314,582
	-----
Total cash	462,494
Accounts receivable	92,011
Less: Allowance for doubtful accounts	-2,544
Inventory	101,662
Prepaid expenses	31,501
	-----
Total current assets	685,124
	-----

Capital assets:

Land	24,262
Buildings	280,468
Collection and distribution system	5,460,332
Line replacement	190,883
Equipment	480,987
Vehicles	134,170
Accumulated depreciation	-3,355,937
	-----
Total capital assets	3,215,165
	-----

Other assets:

Restricted savings - customer deposits	15,787
Restricted CD - customer deposits	64,890
Restricted savings - debt service	62,740
Restricted CD - debt service	58,211
Net pension assets	1,285
	-----
Total other assets	202,913
	-----

Total assets	4,103,202
	=====

DEFERRED OUTFLOW OF RESOURCES

Pension related deferred outflow	116,459
	-----
Total deferred outflow of resources	116,459
	=====

LIABILITIES

Current liabilities:

Accounts payable	49,456
Accrued wages and benefits payable	16,068
Accrued interest expense	3,074
Meter deposits	80,677
Long-term debt due within one year	70,952
	-----

Total current liabilities	220,227
	-----

Noncurrent liabilities:

Accrued leave	8,879
Long-term debt, net of current portion	1,093,046
	-----

Total liabilities	1,322,152
	=====

DEFERRED INFLOW OF RESOURCES

Pension related deferred outflow	74,769
	-----
Total deferred inflow of resources	74,769
	=====

NET POSITION

Net invested in capital assets	2,048,093
Restricted:	
Debt service	120,951
SDRS pension purposes	42,975
Unrestricted	610,721
	-----
Total net position	2,822,740
	=====

See accompanying notes.

BUTTE-MEADE SANITARY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

Operating revenue:	
Water sales	1,072,159
Hook up fees	6,000
Material sales	42,242
Other revenue	19,538
	-----
Total operating revenue	1,139,939
	-----
Operating expenses:	
Office expense	50,751
Utilities	65,200
Vehicle cost	27,974
Insurance	41,773
Professional fees	10,111
Payroll	350,069
Payroll expense	26,780
Payroll retirement benefits	20,735
Payroll health insurance benefits	83,724
Supplies	79,831
Maintenance	30,004
Board fees	6,300
Board mileage	654
Depreciation	152,902
SDRS pension expense reduction	-7,384
	-----
Total operating expenses	939,424
	-----
Total operating income (loss)	200,515
Nonoperating revenue (expense):	
Interest earnings	936
Patronage dividends	3,296
Interest expense	-54,468
	-----
Income (loss) before contributions	150,279
Capital contribution:	
None	0
	-----
Change in net position	150,279
Net position:	
December 31, 2021	2,672,461
	-----
December 31, 2022	2,822,740
	=====

See accompanying notes.

BUTTE-MEADE SANITARY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

Cash flows from:

Operating activities:

Receipts from customers	1,117,354
Payments to employees	-487,608
Payments to suppliers	-326,693
Net cash provided (used) by operating activities	----- 303,053

Noncapital financing activities:

None	0
------	---

Capital financing activities:

Cash paid for buildings	-7,120
Cash paid for improvements	-6,276
Cash paid for line replacement	-41,540
Cash paid for equipment	-4,487
Cash paid for vehicle	-24,358
Cash paid for debt - principal	-126,587
Cash paid for debt - interest	-54,468

Investing activities:

Interest earnings	936
Capital credit refund	3,296
Purchase certificates of deposit - interest	-538

Net increase (decrease) in cash 41,911

Cash:

December 31, 2021	499,110
December 31, 2022	----- 541,021 =====

Reconciliation of operating  
income (loss) to net cash provided  
(used) by operating activities:

Operating income (loss)	200,515
Depreciation	152,902
SDRS pension expense reduction	-7,384

(Increase) decrease in:

Receivables	-15,194
Inventory	-27,204
Prepaid expenses	

Increase (decrease) in:

Accounts payable	6,809
Wages and benefits payable	0
Customer deposits	-7,391
Leave liability	

Net cash provided (used)  
by operating activities -----  
303,053  
=====

Noncash investing, capital and  
financing activities:

Bad debts	0
-----------	---

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The Butte-Meade Sanitary Water District (District) is a sanitary district organized under the laws of the State of South Dakota (SDCL ch. 34A-5) and is a governmental subdivision of the State of South Dakota. Butte-Meade Sanitary Water District was incorporated by a majority vote of the electors within the District in the late 1960s. Pursuant to SDCL 34A-5-14, the District is a public body, corporate and politic. The District is comprised of one enterprise fund.

At December 31, 2022, the District's officials were:

Board of Directors:	District Manager:
Bob Lewis, President	Mike Wolff
Richard Harmon	
Judy Heisler	Clerk-Treasurer:
Penny Oedekoven	Dallas Conner
Gary Velder	
	Attorney:
	Bennett Main Gubbrud & Willert

The District's financial reporting entity is composed of the following:

Financial Reporting Entity:

Primary Government: - The Butte-Meade Sanitary Water District  
Component Unit: - None

To determine the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the District consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the primary government is financially accountable. The District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the District (the primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the District unless that organization can, without the approval of the District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Butte-Meade Sanitary Water District does not have any component units.

b. Basis of Presentation:

The District is a single enterprise fund for financial reporting purposes. The District's financial statements have been prepared on the accrual basis of accounting, consistent with the governmental enterprise fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through user charges for services. The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Operating income includes revenues and expenses related to the primary operations of the District. Principal operating revenues are user fees for water services and the sale of materials. Principal operating expenses are the cost of providing water and maintaining system assets. Other revenue and expenses are classified as non-operating in the financial statements.

c. Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding over 90 days have their water shut off until the outstanding balance is paid.

d. Inventory:

Inventory is valued at cost, as determined on the first-in first-out method and consists mainly of maintenance supplies.

e. Capital Assets and Depreciation:

Capital assets, which include the collection and distribution system, buildings, and other equipment are reported in the basic financial statements. The District defines capital assets as those with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable asset. The estimated useful lives are as follows:

Building and structures	10 - 40 years
Collection and distribution system	5 - 85 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

Approximately 0% of the capital assets are determined by estimates of historical cost.

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 acquisition 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 cost of normal maintenance and repairs that do not add value of the assets, or materially extend asset lives, are not capitalized. Interest cost incurred during construction of capital assets is not capitalized along with other capital asset costs.

f. Vacation and Sick Leave:

Annual leave is earned by the full-time employees at a rate of two weeks after 1 year, three weeks from 10 to 19 years and four weeks after 20 years. Sick leave is earned by full-time employees at a rate of twelve (12) days per year. Upon termination the employees are not entitled to receive compensation for annual leave or sick leave balances.

g. Revenue and Expense Classifications:

In the statement of revenues, expenses and changes in net position, revenue and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenue and expenses.

h. Estimates:

The preparation of financial statements in conformity with generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Following are some of the estimates made by management during the year:

Allowance for doubtful accounts -- estimated uncollectables  
Depreciation -- estimated service lives  
SDRS Pension - actuarial assumptions

i. Cash and Cash Equivalents:

In the statement of cash flows, the District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

For the year ending December 31, 2022, all deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow, except for certificates of deposit which have a maturity of more than three months.

j. Deferred Outflows and Deferred Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees. See note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. The only deferred inflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees. See note 8.

k. Equity Classifications:

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

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use by either (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 does not meet the criteria of 1 or 2 above.

1. 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 which can be charged to either restricted or unrestricted net position.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. CASH, DEPOSITS, AND INVESTMENTS

Deposits:

The District's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as 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, 2022 were as follows: Insured \$405,898, Collateralized \*\* \$266,210 for a total of \$672,108.

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

The carrying amount of these deposits, including \$222 of petty cash, at December 31, 2022 was \$664,122 allocated as follows:

Unreserved:	
Petty cash	\$ 222
Checking	127,690
Reserved:	
Checking - revenue	20,000
Savings - operation & maint	261,517
Savings - meter replacement	53,065
Restricted:	
Savings - customer deposits	15,787
CD - customer deposits	64,890
Savings - debt service	62,740
CD - debt service	58,211
	-----
	\$ 664,122
	=====

#### Investments:

In general, SDCL 4-5-6 permits District money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The District had no investments during the year ending December 31, 2022.

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

Investment 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.

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.

Concentration of Credit Risk - the District places no limit on the amount that may be invested in any one institution. All District deposits are in First National Bank.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. At December 31, 2022, the District's deposits in financial institutions were not exposed to custodial deposit risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2022, the District was not exposed to custodial investment risk.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The District expects to collect all receivables within one year.

## 5. CHANGES IN CAPITAL ASSETS (schedule one)

A summary of the changes in capital assets for the one year ending December 31, 2022 is presented in schedule one at the end of these footnotes. There is no construction-in-progress at December 31, 2022.

## 6. LIABILITIES (see schedule two)

A summary of changes in long-term liabilities for the year ending December 31, 2022 is found on schedule two at the end of these footnotes.

The terms of the District's two Rural Development revenue bonds require the District to maintain a debt service account. A sum equal to the minimum of 1/12th of the annual payment is to be deposited into this account each month. Principal and interest payments can be made from this account. At December 31, 2022 the District is in compliance with these terms.

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.

## 7. FUTURE REVENUE TO SECURE DEBT

Total operating income (loss)	\$ 200,515
Plus: Depreciation	152,902
Pension expense reduction	(7,384)
	-----

Pledged revenue	\$ 346,033
	=====

Total all 2022 loan payments:	\$ 181,055
	=====

## 8. 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 (or expense reduction), 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. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

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

Members that were hired on 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.

Legislation enacted in 2021 reduced the minimum COLA from .05 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, 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 years ending December 31, 2022, 2021 and 2020 were \$20,735, \$18,482, and \$17,882, 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, 2022 SDRS is 100.1% 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, 2022 and reported by the District as of December 31, 2022 are as follows:

Proportionate share of total pension liability	\$ 1,920,284
Less: Proportionate share of net position restricted for pension benefits	(1,921,569)
	-----
Proportionate share of net pension (asset)/liability	\$ (1,285)
	=====

At December 31, 2022 the District reported a (asset)/liability of \$(1,285) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2022 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, 2022, the District's proportion was .000136030 which is an increase of .00000058 over its proportion measured as of June 30, 2021.

For the year ended December 31, 2022 the District recognized net pension (reduction of expense) of \$7,384.

At December 31, 2022 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	\$ 24,472	\$ 84
Change in assumptions	81,707	71,605
Net difference between projected and actual earnings on pension plan investments	0	3,080
Changes in proportion and difference between client contribution and proportionate share of contributions	(87)	
District contributions subsequent to the measurement date	10,367	
	-----	-----
Totals	\$ 116,459	\$ 74,769
	(10,367)	=====
	(74,769)	
	-----	
To be amortized over 4 years	\$ 31,323	
	=====	

The \$10,367 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, 2023.

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, 2023	\$ 8,423
December 31, 2024	17,807
December 31, 2025	(20,306)
December 31, 2026	25,399
	-----
	\$ 31,323

Actuarial Assumptions:

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

Inflation	2.50%
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 return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010  
Other Class A Members: Pub G-2010  
Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:  
Pub T-2010, 108% of rates above age 65  
Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above  
Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table  
Others: Pub G-2010 disabled member mortality table

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

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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	-----	
	100.0%	
	=====	

#### Discount Rate:

The discount rate used to measure the total pension 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 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.

#### 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	\$266,937	\$(1,285)	\$(220,494)

#### 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

#### Liability and property:

The District purchases insurance for risks related to torts, thefts, or damage to property; errors and omissions of public officials; general workman's compensation; and property insurance from commercial insurance carriers. The policies provide for a \$2.9 million limit on property and a \$4 million limit on liability with a \$1 million umbrella policy. In prior years, settled claims resulting from these risks have not exceeded the District's liability coverage.

#### Unemployment benefits:

The District does not pay into the Unemployment Compensation Fund established by the State of South Dakota. Instead, it is on a reimbursement basis. During 2022 the District made no unemployment benefit payments and none are expected to be paid in 2023.

## 10. TAX ABATEMENTS

As of December 31, 2022 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.

## 11. 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.

## 12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

In 2022 the District had no related party activity.

The District has been approved to be on the State Water Plan for a new tank, well and water lines. This project is expected to cost approximately \$3.5 million and is expected to be funded from a SRF loan at 1.875% over 30 years.

In February 2022 the District paid-off a bank loan for \$45,062 plus interest.

In 2022 the District approved a new Employee Handbook.

BUTTE-MEADE SANITARY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
CHANGES IN CAPITAL ASSETS  
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

	Beginning				Ending	Accumulated		Depreciation	Depreciation	Accumulated	Remaining
	12-31-21	Adjustments	Additions	Deletions	12-31-22	Depreciation	Adjustments	(Additions)	Deletions	Depreciation	Cost
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Non-depreciable capital assets:											
Land	24,262				24,262	0				0	24,262
Depreciable capital assets:											
Buildings	273,349		7,119		280,468	-80,566		-9,492		-90,058	190,410
Improvements	5,454,056		6,276		5,460,332	-2,785,562		-93,654		-2,879,216	2,581,116
Line replacement	149,343		41,540		190,883	-5,802		-5,467		-11,269	179,614
Equipment	476,500		4,487		480,987	-264,231		-26,170		-290,401	190,586
Vehicles	119,712		24,358	-9,900	134,170	-76,774		-18,119	9,900	-84,993	49,177
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	6,497,222	0	83,780	-9,900	6,571,102	-3,212,935	0	-152,902	9,900	-3,355,937	3,215,165
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BUTTE-MEADE SANITARY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
CHANGES IN LONG-TERM LIABILITIES  
FOR THE ONE YEAR ENDING DECEMBER 31, 2022

	Beginning 12-31-21 -----	Additions	(Deletions)	Ending 12-31-22 -----	Principal Due in 2023 -----
DIRECT BORROWING					
1992 Rural Development (USDA) Revenue Bond:					
Original amount of \$880,000					
Maturing in 2032					
Interest at 6.625%					
Monthly payments of \$5,236					
2021 interest paid was \$31,770					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	462,595		-33,183	429,412	34,317
2008 Rural Development (USDA) Revenue Bond:					
Original amount of \$455,000					
Maturing in 2048					
Interest at 4.125%					
Monthly payments of \$1,939					
2021 interest paid was \$15,432					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	369,860		-8,165	361,695	8,342
2011 DENR Loan:					
Original amount of \$202,270					
Maturing in 2023					
Interest at 2.25%					
Quarterly payments of \$5,661					
2021 interest paid was \$1,054					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	33,308		-22,080	11,228	11,228
2014 Bank Loan:					
Original amount of \$150,526					
Maturing in 2024					
Interest at 5.25%					
Monthly payments of \$1,621					
2021 interest paid was \$2,954					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	46,473		-46,473	0	0
2019 DENR Loan:					
Original amount of \$402,687					
Maturing in 2040					
Interest at 2.25%					
Quarterly payments of \$6,265					
2021 interest paid was \$8,743					
Purpose - Collection and distribution system improvements					
Collateral - Water revenue	378,349		-16,686	361,663	17,065
OTHER LIABILITIES					
Accrued leave (due in 2022)	8,879			8,879	8,879
	-----	-----	-----	-----	-----
	1,299,464	0	-126,587	1,172,877	79,831
	=====	=====	=====	=====	=====

BUTTE-MEADE SANITARY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)  
 CHANGES IN LONG-TERM LIABILITIES  
 FOR THE YEAR ENDING DECEMBER 31, 2022

SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES  
 AT DECEMBER 31, 2022

	Total Payment	Principal	Interest	Remaining Balance
	-----	-----	-----	-----
1992 Rural Development (USDA) Loan:				
2023	62,832	34,317	28,515	395,095
2024	62,832	36,591	26,241	358,504
2025	62,832	39,015	23,817	319,489
2026	62,832	41,600	21,232	277,889
2027	62,832	44,356	18,476	233,533
2028-2032	282,540	233,533	49,007	0
	-----	-----	-----	
	596,700	429,412	167,288	
	=====	=====	=====	
2008 Rural Development (USDA) Loan:				
2023	23,268	8,342	14,926	353,353
2024	23,268	8,686	14,582	344,667
2025	23,268	9,044	14,224	335,623
2026	23,268	9,417	13,851	326,206
2027	23,268	9,806	13,462	316,400
2028-2032	116,340	55,440	60,900	260,960
2033-2037	116,340	67,857	48,483	193,103
2038-2042	116,340	83,056	33,284	110,047
2043-2047	116,340	101,659	14,681	8,388
2048	8,895	8,388	507	0
	-----	-----	-----	
	590,595	361,695	228,900	
	=====	=====	=====	
2011 DENR Loan:				
2023	11,323	11,228	95	0
	=====	=====	=====	
2019 DENR Loan:				
2023	25,059	17,065	7,994	344,598
2024	25,059	17,452	7,607	327,146
2025	25,059	17,848	7,211	309,298
2026	25,059	18,253	6,806	291,045
2027	25,059	18,667	6,392	272,378
2028-2032	125,294	99,884	25,410	172,494
2033-2037	125,294	111,743	13,551	60,751
2038-2040	62,647	60,751	1,896	0
	-----	-----	-----	
	438,530	361,663	76,867	
	=====	=====	=====	

BUTTE-MEADE SANITARY WATER DISTRICT  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

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, 2022	0.0136030%	-1,286	324,817	(0.40%)	100.10%
June 30, 2021	0.0135450%	-103,732	307,383	(33.75%)	105.52%
June 30, 2020	0.0133168%	-578	292,267	(00.20%)	100.04%
June 30, 2019	0.0123208%	-1,306	261,967	(00.50%)	100.09%
June 30, 2018	0.0118283%	-276	245,900	(00.12%)	100.02%
June 30, 2017	0.0121510%	-1,102	245,248	(00.45%)	100.10%
June 30, 2016	0.0124494%	42,053	236,733	17.77%	96.89%
June 30, 2015	0.0141086%	-59,839	257,583	(23.23%)	104.10%
June 30, 2014	0.0142445%	-102,630	249,100	(41.20%)	107.30%

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

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

BUTTE-MEADE SANITARY WATER DISTRICT  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

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, 2022	20,735	20,735	0	345,583	6.00%
December 31, 2021	18,482	18,482	0	308,033	6.00%
December 31, 2020	17,882	17,882	0	298,041	6.00%
December 31, 2019	16,957	16,957	0	282,617	6.00%
December 31, 2018	15,030	15,030	0	250,500	6.00%
December 31, 2017	14,739	14,739	0	245,650	6.00%
December 31, 2016	14,641	14,641	0	244,016	6.00%
December 31, 2015	14,081	14,081	0	234,684	6.00%
December 31, 2014	14,946	14,946 estimate		249,100	6.00%

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

BUTTE-MEADE SANITARY WATER DISTRICT  
DECEMBER 31, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING DECEMBER 31, 2022

Changes of Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 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 2022 legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

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

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

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

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

BUTTE-MEADE SANITARY WATER DISTRICT  
DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

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, 2022, 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 20, 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 Accounts 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.

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  
Butte-Meade Sanitary Water 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 the Butte-Meade Sanitary Water District (District), Newell, South Dakota, as of December 31, 2022 and for the one year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 13, 2023 which was unmodified.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Butte-Meade Sanitary Water 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 Butte-Meade Sanitary Water 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 Butte-Meade Sanitary 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and management's responses as items 2022-01 that I consider to be a significant deficiency.

Report on Internal Control and Compliance and Other Matters  
Page Two

*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.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Butte-Meade Sanitary Water District in a separate Letter of Comments dated November 13, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Butte-Meade Sanitary Water 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 a minor matter involving compliance that I reported to the governing body and management of the Butte-Meade Sanitary Water District in a separate Letter of Comments dated November 13, 2023.

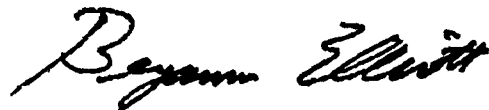
Purpose of this Report

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 Butte-Meade Sanitary Water 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 Butte-Meade Sanitary Water 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

November 13, 2023



BUTTE-MEADE SANITARY WATER DISTRICT  
NEWELL, SOUTH DAKOTA  
DECEMBER 31, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

2021-01: Preparation of Financial Statement: Repeated below as 2022-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2022-01: Preparation of Financial Statements  
(internal control - first reported in 2018)

*Criteria:*

Establishing internal controls over the preparation and drafting of the financial statements are the responsibility of management. The District should have an internal control system designed to provide for drafting the financial statements being audited.

*Condition:*

The District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Possible Effect:*

This control deficiency could result in the possibility of fraud or errors occurring that would not be detected or corrected.

*Recommendations:*

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditor drafting the financial statements because of cost or other considerations. If the District chooses not to accept this risk, another accountant with appropriate knowledge, skill and experience can be hired to either prepare or review the financial statements.

*Response:*

The District will consider having an outside accountant review the financial statements and notes to the financial statements prior to the audit being issued.