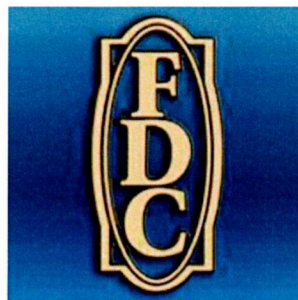


FALL RIVER WATER USERS DISTRICT
AUDITED FINANCIAL STATEMENTS

December 31, 2022 and 2021



Fenenga, DeSmet & Company, LLC

Certified Public Accountants
Winner, SD | Rapid City, SD



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

To the Board of Directors
Fall River Water Users District
Oral, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Fall River Water Users District of Oral, South Dakota, (District) as of December 31, 2022 and 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Management's Responses, we identified certain deficiencies in the internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Management's Responses as items 2022-001 and 2022-002 to be material weaknesses.

Compliance and Other Matters

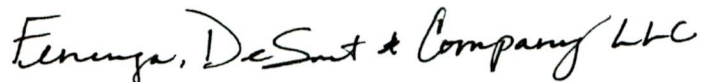
As part of obtaining reasonable assurance about whether the Fall River Water Users District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's responses to the findings identified in our audits are described in the accompanying Schedule of Audit Findings and Management's Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Fenenga, DeSmet & Company, LLC
Rapid City, SD
December 5, 2023

FALL RIVER WATER USERS DISTRICT
Schedule of Prior Audit Findings
December 31, 2022

Prior Audit Findings – Financial Statement Audit

Finding 2021-001

Material Weakness: Lack of Segregation of Duties

Condition: The lack of staff members does not allow the District to separate incompatible accounting functions or processes or provide appropriate oversight of accounting functions that is necessary under a properly designed system of internal controls.

Auditor's Recommendation: 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 lack of segregation of duties. We recommend the District officials provide compensating controls when possible.

Current Status: Repeated as Finding 2022-001.

Finding 2021-002

Material Weakness: Internal Controls Related to Drafting Financial Statements

Condition: The small size of the District limits the ability of management to maintain adequate segregation of duties to prepare the financial statements and related notes to the financial statements that is required under a properly designed system of internal controls.

Auditor's Recommendation: 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.

Current Status: Repeated as Finding 2022-002.

FALL RIVER WATER USERS DISTRICT
Schedule of Current Audit Findings and Management's Responses
December 31, 2022

Findings – Financial Statement Audit

Finding 2022-001

Material Weakness: Lack of Segregation of Duties

Condition: The lack of staff members does not allow the District to separate incompatible accounting functions or processes or provide appropriate oversight of accounting functions that is necessary under a properly designed system of internal controls.

Criteria: The District should have safeguards in place to separate accounting functions which is fundamental in a good system of internal controls. An ideal segregation of duties would separate who authorizes, records, reconciles, and has custody of assets.

Cause: The District has a small staff size. There are only two staff members who perform all of the accounting functions.

Effect: The Manager and Bookkeeper perform all accounting functions. The possibility of fraud or errors occurring and not being detected or corrected is present. There is a potential that intentional or unintentional errors could be made and not be detected.

Auditor's Recommendation: 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 lack of segregation of duties. We recommend the District officials provide compensating controls when possible.

Management's Response: The District will have an outside accountant reconcile the monthly bank statements and prepare the payroll and related reports. The District will also have the outside accountant review transactions on a quarterly or semi-annual basis.

Finding 2022-002

Material Weakness: Internal Controls Related to Drafting Financial Statements

Condition: The small size of the District limits the ability of management to maintain adequate segregation of duties to prepare the financial statements and related notes to the financial statements that is required under a properly designed system of internal controls.

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.

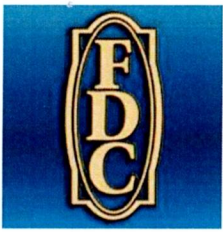
Cause: The condition exists due to small staff size within the finance function of the District. These issues are common in an organization of this size.

Finding 2022-002 (continued)

Effect: The District engages its auditor to draft the financial statements and the notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present in regard to the drafting of the financial statements and the notes to the financial statements.

Auditor's Recommendation: 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.

Management's Response: The District has decided to accept the risk associated with this condition. The District's management and officials will review all adjustments and also review, approve, and accept responsibility for the financial statements prior to their issuance.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fall River Water Users District
Oral, SD

Opinions

We have audited the accompanying financial statements of Fall River Water Users District, as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fall River Water Users District, as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fall River Water Users District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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 Fall River Water Users 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

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financials 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 Fall River Water Users District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fall River Water Users District's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 on our consideration of Fall River Water Users District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing and internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering Fall River Water Users District's internal control over financial reporting and compliance. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record.

Fenenga, DeSmet & Company LLC

Fenenga, DeSmet & Company, LLC
Rapid City, SD
December 5, 2023

FALL RIVER WATER USERS DISTRICT
STATEMENTS OF NET POSITION

	December 31,	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents		
Water service account	\$ 143,448	\$ 161,855
Restricted for debt service	186,428	184,525
Other cash accounts	85,476	60,972
Total cash and cash equivalents	415,352	407,352
Accounts receivable, less allowance for doubtful accounts	17,461	24,866
Prepaid expenses	5,253	5,253
Total Current Assets	438,066	437,471
 Capital Assets, Net of Depreciation	 11,433,927	 11,498,659
Total Assets	\$ 11,871,993	\$ 11,936,130
 LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 61,951	\$ 37,784
Current portion of long-term liabilities	119,639	115,971
Accrued interest	8,507	8,270
Other current liabilities	22,000	26,617
Total Current Liabilities	212,097	188,642
 Long-term Liabilities		
State revolving fund loan, net of current portion	377,130	416,479
Other long-term debt, net of current portion	3,135,401	3,218,596
Total Long-Term Liabilities	3,512,531	3,635,075
 Total Liabilities	 3,724,628	 3,823,717
 Net Position		
Net investment in capital assets	7,801,756	7,738,956
Restricted for debt service	186,428	184,525
Unrestricted net position	159,181	188,932
 Total Net Position	 8,147,365	 8,112,413
 Total Liabilities and Net Position	 \$ 11,871,993	 \$ 11,936,130

The accompanying notes are an integral part of this financial statement.

FALL RIVER WATER USERS DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

	For the Years	
	Ended December 31,	
	2022	2021
Operating Revenues		
Water sales	\$ 996,415	\$ 935,982
Other operating revenues	219,648	84,518
Total Operating Revenues	<u>1,216,063</u>	<u>1,020,500</u>
Operating Expenses		
Cost of sales and service	303,689	190,439
Repairs, maintenance and supplies	103,026	132,057
Wages and benefits	215,242	224,813
Administrative related expenses	124,205	139,953
Depreciation expense	320,993	330,037
Total Operating Expenses	<u>1,067,155</u>	<u>1,017,299</u>
Operating Income (Loss)	<u>148,908</u>	<u>3,201</u>
Nonoperating Revenues (Expenses)		
Interest income and capital credits	296	1,941
Interest expense	(114,252)	(120,551)
Total Nonoperating Revenues (Expenses)	<u>(113,956)</u>	<u>(118,610)</u>
Change in Net Position, Before Capital Contributions	34,952	(115,409)
Capital contributions (distributions)	-	-
Change in Net Position	<u>34,952</u>	<u>(115,409)</u>
Net Position - Beginning	<u>8,112,413</u>	<u>8,227,822</u>
Net Position - Ending	<u><u>\$ 8,147,365</u></u>	<u><u>\$ 8,112,413</u></u>

The accompanying notes are an integral part of this financial statement.

FALL RIVER WATER USERS DISTRICT
STATEMENTS OF CASH FLOWS

	For the Years	
	Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 995,894	\$ 943,259
Cash payments to suppliers of goods and services	(506,753)	(444,391)
Cash payments to employees for services	(212,176)	(223,471)
Other cash receipts	219,890	80,944
	<u>496,855</u>	<u>356,341</u>
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities		
Purchase and construction of capital assets	(256,260)	(8,656)
Proceeds from sale of fixed assets	-	-
Capital contributions	-	-
Interest paid on capital debt	(114,015)	(121,141)
Proceeds from long-term debt	-	-
Principal paid on capital debt	(118,876)	(111,751)
	<u>(489,151)</u>	<u>(241,548)</u>
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Interest received	296	1,941
	<u>296</u>	<u>1,941</u>
Net Cash Provided by Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	8,000	116,734
Cash and Cash Equivalents, Beginning of Year	<u>407,352</u>	<u>290,618</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 415,352</u></u>	<u><u>\$ 407,352</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 148,908	\$ 3,201
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	320,993	330,037
(Increase) decrease in accounts receivable	7,404	(4,477)
(Increase) decrease in other current assets	-	1,123
Increase (decrease) in accounts payable	24,167	16,935
Increase (decrease) in other current liabilities	(4,617)	9,522
	<u>496,855</u>	<u>356,341</u>
Net Cash Provided by Operating Activities	<u><u>\$ 496,855</u></u>	<u><u>\$ 356,341</u></u>

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

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Fall River Water Users District (“District”) was organized in July of 1992 under the authority of Chapter 46A-9-16 of the South Dakota Codified Laws of 1967, as amended, as a water user district. The District was organized to construct or acquire a water system to conserve, control and distribute potable water to homes, pastures, feedlots, and elsewhere deemed feasible. The system consists of pumps, filtering and treatment plants, storage tanks, mains, pipelines, booster pumps and other water works deemed necessary to pump, filter, treat, store and distribute potable water.

The District provides water to users primarily in the Fall River County in South Dakota and has its office in Oral, South Dakota. An elected Board of Directors, consisting of seven directors, governs the District. The District is authorized to exercise the power of eminent domain, and is a political subdivision of the State of South Dakota.

Basis of Presentation

The District is considered a single enterprise fund for financial reporting purposes. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or service. Activities are required to be reported as enterprise funds if any one of the following criteria is met: (1) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by pledge of net revenues from fees and charges and the full faith and credit of related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (2) Laws or regulations require that the activity’s cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues. (3) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Operating income includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues are user fees for water services. Principal operating expenses are the costs of providing water and maintaining system assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reports in the financial statements, regardless of the measurement focus.

The financial statements are presented using the economic resources measurement focus, applied on the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue and Expense Classification

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

Net Position Classifications

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

Net Investment 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.

Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Consists of all other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

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 expense is incurred for purposes for which both restricted and unrestricted net position are available.

Capital Assets

Property, plant and equipment are stated at historical costs and/or cumulative cost of construction, which includes interest on construction in progress prior to the asset being put into service. No interest was capitalized during the years ending December 31, 2022 and 2021. The District’s primary asset is a water delivery system consisting of water mains, pumps and booster stations, wells, and storage tanks. Except for land, all assets greater than \$2,500 with a useful life of more than one year are depreciated using the straight-line method over their useful lives. Based on engineering estimates, the useful lives of the components for the water delivery system and other capital assets are as follows:

Water Mains	50 years
Pumps and Booster Stations	20 years
Wells and Storage Tanks	50 years
Vehicles and Office Equipment	5 years

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles 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 the disclosure 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 results could differ from those estimates.

Deposits, Investments, and Cash Equivalents

For the purpose of the District's Statement of Cash Flows, the District considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, including restricted cash and cash equivalents. The District had no cash equivalents at December 31, 2022 and 2021. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

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

Investments – In general, SDCL 4-5-6 permits District funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at face value net of allowance for doubtful accounts and consist of balances due from customers. Receivable detail at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Accounts Receivable	\$ 18,461	\$ 25,866
Allowance for Doubtful Accounts	(1,000)	(1,000)
Net Accounts Receivable	<u>\$ 17,461</u>	<u>\$ 24,866</u>

Note 2 – Lease Commitments

The District leases office space on a year to year basis with payments due bi-annually until terminated by either party. Lease expense for the years ended December 31, 2022 and 2021 totaled \$2,500 and \$2,500, respectively. These amounts are included in the Statements of Revenue, Expenses, and Changes in Net Position.

Note 3 – Restricted Cash

Assets restricted for use for a specific purpose through segregation of balances in separate accounts include \$186,428 and \$182,525 restricted for the purpose of satisfying debt covenants for the years ending December 31, 2022 and 2021, respectively.

Note 4 – Changes in Capital Assets

The following is a summary of major classifications of Capital Assets:

	<u>2022</u>	<u>2021</u>
Water delivery system	\$ 14,396,099	\$ 14,380,969
Building and leasehold improvements	108,257	108,257
Land	149,929	149,929
Office equipment and vehicles	316,026	316,026
Construction in progress	1,206,502	965,371
	<u>16,176,813</u>	<u>15,920,552</u>
Less accumulated depreciation	(4,742,886)	(4,421,893)
Capital Assets, Net	<u>\$ 11,433,927</u>	<u>\$ 11,498,659</u>

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 4 – Changes in Capital Assets (continued)

The following is a summary of changes Capital Assets for the year ended December 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-Depreciable Assets				
Construction in progress	\$ 965,371	\$ 241,131	\$ -	\$ 1,206,502
Land	149,929	-	-	149,929
Total non-depreciable assets	<u>\$ 1,115,300</u>	<u>\$ 241,131</u>	<u>\$ -</u>	<u>\$ 1,356,431</u>
Depreciable Assets				
Water delivery system	\$ 14,380,969	\$ 15,130	\$ -	\$ 14,396,099
Buildings & improvements	108,257	-	-	108,257
Office equipment & vehicles	316,026	-	-	316,026
Total depreciable assets	<u>\$ 14,805,252</u>	<u>\$ 15,130</u>	<u>\$ -</u>	<u>\$ 14,820,382</u>
Accumulated Depreciation	<u>\$ 4,421,893</u>	<u>\$ 320,993</u>	<u>\$ -</u>	<u>\$ 4,742,886</u>

Note 5 – 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; employee's health and life; and natural disasters. The District manages these risks by purchasing general liability, property, workers compensation, fidelity bond coverage, health and life coverage, and firm commercial coverage through private carriers. The District pays into the South Dakota Unemployment Compensation Fund to provide for unemployment insurance coverage.

The District believes such coverage is sufficient to preclude any significant uninsured losses to the District. There have been no settlements exceeding insurance coverage in any of the past three years.

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 6 – Long-term Debt

The District’s long-term debt at December 31 is as follows:

	2022	2021
Note payable to the South Dakota Drinking Water State Revolving Loan Fund, quarterly payments of \$9,615 including interest of 3%, final payment due October 2031. Secured by substantially all assets.	\$ 302,366	\$ 331,213
Note payable to the South Dakota Drinking Water State Revolving Loan Fund, quarterly payments of \$3,098 including interest of 2.5%, final payment due April 2033. Secured by substantially all assets.	114,113	123,504
Note payable, USDA Rural Development, interest at 4%, payable \$3,163 per month, due March 2050, secured by substantially all assets.	528,164	544,640
Note payable, USDA Rural Development, interest at 3.75%, payable \$3,438 per month, due October 2050, secured by substantially all assets.	707,926	722,524
Note payable, USDA Rural Development, interest at 3.25%, payable \$2,904 per month, due July 2050, secured by substantially all assets.	631,366	645,586
Note payable, USDA Rural Development, interest at 2.75%, payable \$4,060 per month, due May 2054, secured by substantially all assets.	867,811	892,304
Note payable, USDA Rural Development, interest at 2.25%, payable \$1,852 per month, due February 2060, secured by substantially all assets.	480,424	491,275
Total Long-term Debt	3,632,170	3,751,046
Less Current Maturities	(119,639)	(115,971)
Long-term Portion	\$ 3,512,531	\$ 3,635,075

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 6 – Long-term Debt (continued)

The following is a summary of changes in long-term debt:

	Debt 12/31/2021	New Debt	Retired	Debt 12/31/2022	Due Within One Year
State of SD -					
Revolving Fund	\$ 454,171	\$ -	\$ 37,692	\$ 416,479	\$ 39,349
USDA Rural					
Development	3,296,875	-	81,184	3,215,691	80,290
Total Debt	<u>\$ 3,751,046</u>	<u>\$ -</u>	<u>\$ 118,876</u>	<u>\$ 3,632,170</u>	<u>\$ 119,639</u>

Debt service is as follows:

	Interest	Principal	Total
2023	\$ 113,252	\$ 119,639	\$ 232,891
2024	109,594	123,298	232,892
2025	105,559	127,332	232,891
2026	101,521	131,370	232,891
2027	97,350	135,541	232,891
2028-2032	421,048	704,947	1,125,995
2033-2037	317,554	598,842	916,396
2038-2042	211,538	698,662	910,200
2043-2027	102,880	514,342	617,222
2028-2052	28,793	349,916	378,709
Thereafter	12,937	128,281	141,218
	<u>\$ 1,622,026</u>	<u>\$ 3,632,170</u>	<u>\$ 5,254,196</u>

Note 7 – Pension Plan

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

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 7 – Pension Plan (continued)

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 retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than .05% 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, 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 depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

FALL RIVER WATER USERS DISTRICT
Notes to the Financial Statements
December 31, 2022 and 2021

Note 7 – Pension Plan (continued)

Contributions – Per SDCL 3-12, contribution requirements of the active employees and the participating employees 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 the contributions to the SDRS for the years ended December 31, 2022, 2021 and 2020 was \$9,122, \$9,849 and \$9,615, respectively, equal to the required contributions each year.

In 2016, the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* became effective. The new standards require the District to record its share of the SDRS net pension asset or liability, related deferred balances and its share of net pension revenue or expense rather than recording the District's required retirement contributions, noted above. As of June 30, 2022, SDRS is 100.1 percent funded and accordingly has a net pension asset based on actuarial assumptions including inflation, investment return, mortality tables, and other factors. The District's share of the net pension asset at June 30, 2022 and 2021 was .006403% and .006675%, respectively. Based on the overall insignificant impact to the financial statements, the District has elected not to record entries into its accounting records for the new pension standards. If the District had recorded the pension activity, a new pension asset totaling approximately \$300 would have been recorded along with deferred outflows of resources totaling approximately \$64,000 and deferred inflows of resources totaling approximately (\$43,000) for a net increase in assets at December 31, 2022 of \$21,000. In addition, an increase to pension costs of approximately \$700 would have been recorded for the year ending December 31, 2022.

Therefore, the supplemental information and other note disclosures required by the above mentioned standards are not included in these financial statements.

Note 8 – Subsequent Events

District management has evaluated subsequent events through the date of the independent auditor’s report, which is the date the financial statements were available to be issued.