

**FIRST DISTRICT ASSOCIATION OF
LOCAL GOVERNMENTS**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2022

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
First District Association of Local Governments
Watertown, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of First District Association of Local Governments (hereinafter referred to as the Association) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Association'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 respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the First District Association of Local Governments as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Association's proportionate share of net pension liability/(asset), and the schedule of Association's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The schedules of revenues and expenditures by grant/project, local revenues and expenditures, and indirect costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedules of revenues and expenditures by grant/project, local revenues and expenditures, indirect costs, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures by grant/project, local revenues and expenditures, indirect costs, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 30, 2023, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
May 30, 2023

**Management's Discussion and Analysis
First District Association of Local Governments
For the Year Ended September 30, 2022**

This section of the First District Association of Local Governments (First District) annual financial report presents our discussion and analysis of First District's financial performance during the fiscal year ended on September 30, 2022. This discussion and analysis considers only the Primary Government's financial activity. This analysis should be read in conjunction with the Financial Statements and Independent Auditor's Report.

Nature of Operations for the Organization

First District is a governmental entity; the boundaries, counties, cities included were established under Executive Order 70-7 and amended by Executive Order 2000-03 by the State of South Dakota's governor's office. First District currently serves 11 counties and 76 communities in northeast South Dakota, initiating, guiding, and providing strategic planning development through projects to enhance the economic environment and improve or maintain the quality of life in the area it serves.

Discussion of the basic financial statements

Basic financial statements, including related notes that explain some of the information in the financial statements and provide more detailed data.

The basic financial statements include two kinds of statements:

1. The *government-wide financial statements* (Statement of Net Position and the Statement of Activities) provide information about the activities of First District as a whole and present a longer-term view of First District's finances.

These statements report information about the First District as a whole and about its activities that help answer the question, "Is First District as a whole better off or worse as a result of the year's activities?" These statements include all assets and liabilities using methods of accounting similar to those used by most private-sector companies.

These statements report First District's net positions and changes in them. First District's net position, the difference between assets (what First District owns) and liabilities (what First District owes) is one way to measure First District's financial health. Over time, increases or decreases in First District's net position are one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of First District are reported in two categories:

- Governmental Activities - This category includes all of First District's basic services.
 - Component Units - This category includes First District Development Company – a 501 (c) (3) nonprofit corporation considered a proprietary fund type, discretely presented component unit of the First District.
2. The *fund financial statements* (Balance Sheet-Governmental Funds; Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position; Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds; Reconciliation of Statement of the Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report First District's operations in more detail than the government-wide statements.

The fund financial statements of First District include the following:

Governmental Funds:

- General Fund - This category includes most of First District's basic services.
- Revolving Loan Fund, Disaster Relief Fund, and Cares Relief - This category includes money to be used for economic development activities.

The following tables reflect the condensed statement of net position compared to the prior year (Table 1) and the condensed statement of activities compared to the prior year (Table 2).

Table 1: Statement of Net Position		
Assets:	2021	2022
Cash and Cash Equivalents	\$2,203,812	\$2,355,847
Accounts Receivable, Net	\$159,870	\$73,694
Due from First District Development Company	\$77,135	\$23,621
Other Assets	\$7,478	\$156
Notes Receivable, Net	\$2,163,859	\$2,938,872
Net Pension Asset	\$300,864	\$3,923
Land Improvements and Construction Work in Progress	\$44,000	\$44,000
Other Capital Assets, Net of Depreciation	\$419,895	\$405,588
Total Assets	\$5,376,913	\$5,845,701
Deferred Outflows of Resources	\$375,200	\$339,096
Liabilities		
Noncurrent Liabilities Due within one year	\$71,353	\$70,428
Noncurrent Liabilities Due in more than one year	\$121,004	\$104,407
Total Liabilities	\$192,357	\$174,835
Deferred Inflows of Resources	\$584,270	\$233,010
Net Position		
Net Investment in Capital Assets	\$332,480	\$318,173
Restricted for Insurance	\$7,322	\$0-
Restricted for Loans and Loan Commitments	\$3,042,769	\$3,575,355
SDRS Pension	\$91,794	\$110,011
Unrestricted	\$1,501,121	\$1,773,415
Total Net Position	\$4,975,486	\$5,776,954

Table 2: Statement of Activities		
	2021	2022
Charges for Services	\$790,310	\$841,370
Operating Grants	\$679,842	\$1,100,778
Capital Grants	\$10,716	\$4,025
General Revenues		
County Support	\$216,992	\$230,954
City Support	\$84,000	\$74,450
State Support	\$38,500	\$189,650
Unrestricted Investment Earnings	\$12,160	\$4,561
Total Revenues	\$1,832,520	\$2,445,788
Expenses		
General Government	\$298,105	\$505,589
Public Works	\$222,662	\$241,449
Conservation and Development	\$784,207	\$889,960
Total Government Activities	\$1,304,974	\$1,636,998
Beginning Net Position	\$4,447,940	\$4,975,486
Ending Net Position	\$4,975,486	\$5,776,954
Change in Accounting Estimate	\$0-	(\$7,322)
Change in Net Position	\$527,546	\$808,790

Analysis of Overall Financial Position

- Total net position in FY 2022 increased by \$801,468 or 16.1%. This increase is primarily due to CARES funding and further expansion of Loan Programs.
- Total assets increased by \$468,788 or 8.7%. This increase is primarily due to the increase in Cash/Cash Equivalents and increase in Notes Receivable, Net. Cash and Cash Equivalents increased by \$152,035 (6.9%). The increase in cash was due to an increase in contracts and new grant funds. Net Accounts Receivable decreased by \$86,176 or -53.9% due to a decrease in contract billings processed but not collected at the end of FY 2022 as compared to FY 2021. Notes Receivable, Net increased by \$775,013 or 35.8%.
- Total Liabilities decreased by \$17,522 (-9.1%) due to payments on the lease buyout agreement.
- Unrestricted funds increased by \$272,294 or 19.9%.
- Local government support for FY 2022 increased by 3.0%. All government members maintained their membership in First District for FY 2022.

Capital Asset and Debt Administration

- Capital Assets – During FY 2022, First District purchased office equipment for \$9,356.
- Long-Term Liabilities – First District has seven years of payments remaining on the buyout agreement for the new office building which occurred in November 2019.

Currently Known Conditions Expected to have an Effect on Next Year's Operations

- The total dues for FY 2023 will increase 3% to correspond with the FY2022 to FY 2032 Dues Schedule.
- Basic governmental services such as grant-writing, GIS services and planning consultation should remain steady.
- Permanent Staff levels are expected to increase in FY 2023.
- The First District's Governing Body adopted the Provisional FY 2023 budget on June 9, 2022. The approval of the budget provides funding for the First District's operating costs for FY 2023.

Contacting First District's Financial Management

This financial report is designed to provide a general overview of the First District's finances and to demonstrate First District's accountability for the money it receives. If you have any questions about this report or need additional information, contact

First District Association of Local Governments
POB 1207, Watertown, SD 57201
Phone: (605) 882-5115)

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>First District Development Company</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,355,847	\$ 1,541,699
Certificates of Deposit	-	461,620
Accounts Receivable, Net of Allowances, if any	73,694	20,988
Due from Component Unit	23,621	-
Capital Lease Receivable	-	116,289
Other Assets	156	11,598
Notes Receivable, Net of Allowances for Loan Losses	2,938,872	767,949
Net Pension Asset	3,923	-
Restricted Assets:		
Cash and Cash Equivalents	-	48,224
Capital Assets:		
Capital Assets Not Being Depreciated	44,000	36,000
Capital Assets Being Depreciated, Net	<u>405,588</u>	<u>321,380</u>
Total Assets	<u>5,845,701</u>	<u>3,325,747</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Related Deferred Outflows	<u>339,098</u>	<u>-</u>
LIABILITIES :		
Due to Primary Government	-	23,621
Other Current Liabilities	-	1,659
Noncurrent Liabilities:		
Due Within One Year	70,428	58,926
Due in More than One Year	<u>104,407</u>	<u>449,563</u>
Total Liabilities	<u>174,835</u>	<u>533,769</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Related Deferred Inflows	<u>233,010</u>	<u>-</u>
NET POSITION:		
Net Investment in Capital Assets	318,173	110,077
Restricted for:		
Loans and Loan Commitments	3,575,355	987,993
SDRS Pension	110,011	-
Unrestricted	<u>1,773,415</u>	<u>1,693,908</u>
Total Net Position	<u>\$ 5,776,954</u>	<u>\$ 2,791,978</u>

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
Primary Government:						
Governmental Activities:						
General Government	\$ 505,589	\$ 387,109	\$ -	\$ -	\$ (118,480)	
Public Works	241,449	58,328	156,009	-	(27,112)	
Conservation & Development	<u>889,960</u>	<u>395,933</u>	<u>944,769</u>	<u>4,025</u>	<u>454,767</u>	
Total Governmental Activities	<u>1,636,998</u>	<u>841,370</u>	<u>1,100,778</u>	<u>4,025</u>	<u>309,175</u>	
Total Primary Government	<u>\$ 1,636,998</u>	<u>\$ 841,370</u>	<u>\$ 1,100,778</u>	<u>\$ 4,025</u>	<u>309,175</u>	
Component Unit:						
First District Development Company	<u>\$ 392,251</u>	<u>\$ 418,337</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 26,086</u>
General Revenues:						
State Support					189,650	-
County Support					230,954	-
City Support					74,450	-
Investment Earnings					<u>4,561</u>	<u>12,616</u>
Total General Revenues					<u>499,615</u>	<u>12,616</u>
Change in Net Position					808,790	38,702
Change in Accounting Estimate					(7,322)	-
Net Position - Beginning					<u>4,975,486</u>	<u>2,753,276</u>
Net Position - Ending					<u>\$ 5,776,954</u>	<u>\$ 2,791,978</u>

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Major Funds				
	General Fund	CARES Relief Fund	Revolving Loan Fund	Disaster Relief Fund (EDA)	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,714,034	\$ 196,561	\$ 400,104	\$ 45,148	\$ 2,355,847
Accounts Receivable, net of allowances, if any:					
State & Federal Funding	44,319	-	-	-	44,319
County Support	-	-	-	-	-
Local Funding	29,375	-	-	-	29,375
Employee Receivables	156	-	-	-	156
Notes Receivable, Less Allowance for Loan Losses	-	1,239,885	1,246,404	452,583	2,938,872
Due from Other Funds	5,330	-	-	-	5,330
Due from First District Development Company	23,621	-	-	-	23,621
Total Assets	<u>\$ 1,816,835</u>	<u>\$ 1,436,446</u>	<u>\$ 1,646,508</u>	<u>\$ 497,731</u>	<u>\$ 5,397,520</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to Other Funds	\$ -	\$ 4,714	\$ -	\$ 616	\$ 5,330
Total Liabilities	<u>-</u>	<u>4,714</u>	<u>-</u>	<u>616</u>	<u>5,330</u>
Fund Balances:					
Restricted					
Loans and Loan Commitments	-	1,431,732	1,646,508	497,115	3,575,355
Assigned - Building Reserve	8,021	-	-	-	8,021
Unassigned	1,808,814	-	-	-	1,808,814
Total Fund Balances	<u>1,816,835</u>	<u>1,431,732</u>	<u>1,646,508</u>	<u>497,115</u>	<u>5,392,190</u>
Total Liabilities and Fund Balances	<u>\$ 1,816,835</u>	<u>\$ 1,436,446</u>	<u>\$ 1,646,508</u>	<u>\$ 497,731</u>	<u>\$ 5,397,520</u>

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ 5,392,190

Amounts reported for governmental activities in the
statement of net position are different because:

Net pension asset reported in governmental activities
is not a spendable financial resource and therefore is
not reported in the funds. 3,923

Capital assets used in governmental activities
are not financial resources and therefore
are not reported in the funds.

Cost of Capital Assets	\$ 790,449	
Accumulated Depreciation	<u>(340,861)</u>	449,588

Pension related deferred outflows are components of
pension asset and therefore are not reported in the
funds. 339,098

Long-term liabilities, including accrued leave payable,
are not due and payable in the current period and
therefore are not reported in the funds.

Lease Buyout Agreement	(114,915)	
Accrued Leave Payable	<u>(59,920)</u>	(174,835)

Pension related deferred inflows are components of
pension asset and therefore are not reported in the
funds. (233,010)

Net Position - Governmental Funds \$ 5,776,954

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2022

	Major Funds				
	General Fund	CARES Relief Fund	Revolving Loan Fund	Disaster Relief Fund (EDA)	Total Governmental Funds
REVENUES					
Federal Funding	\$ 396,728	\$ 688,075	\$ -	\$ -	\$ 1,084,803
State Funding	209,650	-	-	-	209,650
Local Funding	1,152,829	9,613	5,473	3,026	1,170,941
Interest Income	4,561	28,597	43,170	14,436	90,764
Total Revenues	<u>1,763,768</u>	<u>726,285</u>	<u>48,643</u>	<u>17,462</u>	<u>2,556,158</u>
EXPENDITURES					
Current:					
General Government	502,753	-	-	-	502,753
Public Works	236,002	-	-	-	236,002
Conservation & Development	746,069	213,710	21,355	23,036	1,004,170
Debt service	16,500	-	-	-	16,500
Capital Outlay	7,653	1,703	-	-	9,356
Total Expenditures	<u>1,508,977</u>	<u>215,413</u>	<u>21,355</u>	<u>23,036</u>	<u>1,768,781</u>
Excess of Revenues Over Expenditures	<u>254,791</u>	<u>510,872</u>	<u>27,288</u>	<u>(5,574)</u>	<u>787,377</u>
Net Change in Fund Balances	254,791	510,872	27,288	(5,574)	787,377
Change in Accounting Estimate	(7,322)	-	-	-	(7,322)
Fund Balance - Beginning	<u>1,569,366</u>	<u>920,860</u>	<u>1,619,220</u>	<u>502,689</u>	<u>4,612,135</u>
Fund Balance - Ending	<u>\$ 1,816,835</u>	<u>\$ 1,431,732</u>	<u>\$ 1,646,508</u>	<u>\$ 497,115</u>	<u>\$ 5,392,190</u>

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 787,377

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as
expenditures. However, in the statement of activities
the cost of those assets is allocated over their
estimated useful lives and reported as depreciation
expense. This is the amount by which depreciation
exceeded capital outlay in the current period.

Capital Outlay	\$	9,356	
Depreciation Expense		<u>(23,663)</u>	(14,307)

Governmental funds reflect principal payments on long-term
liabilities as an expenditure, but the government wide
statements reflect the change as an decrease in long-term
liabilities. 16,500

Governmental funds do not reflect the change in
accrued leave, but the statement of activities reflects
the change in accrued leave through expenditures. 1,003

Governmental funds do not reflect changes in the net
pension asset or pension related deferred inflows and
outflows, which are reflected in the statement of activities. 18,217

Change in Net Position of Governmental Activities \$ 808,790

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of First District Association of Local Governments (the Association) conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of the Association, consists of 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); those organizations for which the primary government is financially accountable; and 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.

First District Association of Local Governments was established by Executive Order of the Governor #70-7 under the authority granted in Chapter 1-24 of the South Dakota Codified Laws of 1967 and amended by Executive Order 2000-03 by the State of South Dakota's governor's office. The Association was established to provide assistance in the areas of planning, industrial and economic development, performing studies, consultation and other technical assistance to local governmental units and small businesses in the eleven-county area served by the Association. The eleven counties covered are Brookings, Clark, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, Miner, Moody, and Roberts.

Funding or support is provided through payments received under contractual agreements with the governmental units the Association serves, State and Federal grants, and revenues generated through other Association activities. The Association is governed by a Governing Board consisting of representatives from the eleven-county area.

The Association has responsibility for revolving loan funds which were funded by Federal grants. The revolving loan funds' purpose is to promote business development in economically depressed areas by providing loans to new and expanding businesses that are unable to obtain conventional financing. As loans are repaid, the money is returned to the funds to be used for new loans. Revenues and expenditures of the revolving loan funds are accounted for as Special Revenue Funds.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Financial Reporting Entity, continued

In evaluating the Association as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Association may be financially accountable and, as such, should be included within the Association's financial statements. The Association is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Association. Organizations for which the Association is not financially accountable are also included when doing so is necessary in order to prevent the Association's financial statements from being misleading.

First District Development Company (the Development Company), a 501(c)(3) nonprofit corporation, is considered a discretely presented component unit of the Association. The Development Company is governed by a ten-member Board of Directors appointed by the membership. Although it is legally separate from the Association, the Development Company is reported as a component unit due to its close relation to or financial integration with the Association, its exclusion would render the financial statements incomplete or misleading. The financial report for the Development Company may be obtained by writing to the First District Development Company, 418 18th Avenue NE, PO Box 1270, Watertown, SD 57201 or by calling (605) 882-5115.

The Development Company was formed to provide businesses with assistance and consultation in the preparation of documents necessary to obtain loans through the Small Business Administration 503/504 Loan Program. The Development Company has entered into two loan agreements with Rural Development to establish an Intermediary Relending Program and two loan agreements with the East River Electric Power Cooperative, Inc. to establish a Rural Economic Development Loan & Grant Program to provide loans to recipients eligible under the programs. An agreement has been entered into with the Development Company whereby the Association provides services, office space, and supplies required by the Development Company. For the year ended September 30, 2022, the total costs reimbursed to the Association under the agreement and amount due to the Association are \$264,090 and \$23,621, respectively.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and fiduciary-type component units. The statements distinguish between governmental activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a. above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. The Association's funds are all considered governmental funds. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Association or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b. Basis of Presentation, continued:

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Association are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Association. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

CARES Relief Fund - This fund accounts for revenues derived from federal and local monies dedicated to alleviating sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region serviced by the Association. This is a major fund.

Revolving Loan Fund – This fund accounts for revenues derived from federal and local monies dedicated for economic assistance loans under a Title IX Special Economic Development and Assistance Programs – Long-Term Economic Deterioration Revolving Loan Fund grant. This is a major fund.

Disaster Relief Fund – This fund accounts for revenues derived from federal and local monies dedicated for economic assistance loans under a Title IX Special Economic Development and Assistance Programs – Sudden and Severe Economic Dislocation Revolving Loan Fund grant. This is a major fund.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. 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 reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Association, the length of that cycle is 30 days. Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d. Interfund Eliminations and Reclassifications:

Governmental-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

In order to minimize the grossing-up effect on assets and liabilities within the governmental activities column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities column.

e. Capital Assets:

Capital assets include buildings, equipment and vehicles that are used in operations and that have initial useful lives extending beyond a single reporting period. The Association has not established any capitalization thresholds; therefore, all buildings, equipment and vehicles that meet the extended reporting period criteria are reported as capital assets. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or whether they are reported in the government-wide financial statements.

Government-wide Financial Statements:

All purchased capital assets are valued at cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Depreciation of the capital assets has been provided over the estimated useful lives (5-10 years) using the straight-line method.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or whether they are reported in the government-wide financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities typically consist of debt payable, buyout agreements, and accrued compensated absences.

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

g. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the balance sheet 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 (expenses) until the applicable future period.

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

h. Pensions:

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

j. Cash and Cash Equivalents:

The Association pools its cash resources for depositing and investing purposes. Accordingly, all funds have access to their cash resources on demand and all reported fund deposit and investment balances are considered to be cash equivalents.

k. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and (if applicable) 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 either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment of capital assets".

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k. Equity Classifications, continued:

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, or unassigned components.

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

In accordance with the Governmental Accounting Standards Board (GASB), the Association classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Directors, and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

m. Fund Balance Classification Policies and Procedures, continued:

The Association uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreement requiring dollar for dollar spending. Additionally, the Association would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

n. Indirect Cost Allocation Plan:

Indirect costs are allocated to individual grants and projects based upon a fixed percentage of direct salaries and wages charged to the grant or project. This rate is reviewed annually and adjusted if necessary, in an attempt to minimize over or under applied indirect costs. The indirect cost rate was 35.12 percent of direct salaries and wages for the year ended September 30, 2022. The indirect cost allocation plan has been prepared in accordance with the requirements of the South Dakota Department of Transportation; however, the South Dakota Department of Transportation does not require the Association to submit it for their approval. The indirect cost allocation plan is operated in accordance with guidelines established by 2 CFR part 200, subpart E (cost principles).

o. Budgetary Comparison Schedules:

The Association is not legally required to adopt a budget for the General Fund or the major special revenue funds; therefore, the budgetary comparison information is not presented as required supplementary information or as a basic financial statement.

2. DEPOSITS AND INVESTMENTS

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

2. DEPOSITS AND INVESTMENTS, continued

Credit Risk

The Association does not have a formal investment policy that limits its investment choices.

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. As of September 30, 2022, the Association's deposits in financial institutions were not exposed to any custodial credit risk.

Custodial Credit Risk - Investments

The risk that, in the event of the failure of the counterparty to a transaction, the Association will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2022, the Association did not have any investments.

Interest Rate Risk

The Association 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.

Assignment of Investment Income

The Association's policy is to credit all income from investments to the fund making the investment.

Custodial Credit Risk – Deposits - Component Unit

The Development Company maintains its cash balances in one financial institution which sweeps any balance in excess of the federal deposit insurance limit of \$250,000 to various financial institutions to ensure coverage. At September 30, 2022, the Development Company's balances were covered by federal deposit insurance or by collateral designated as security pursuant to State statute.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Association expects all receivables, except for the notes receivable, to be collected within one year.

Appropriate allowances for uncollectible accounts have been established as follows:

CARES Relief Fund	\$ 63,651
Revolving Loan Fund	21,933
Disaster Relief Fund	<u>199,833</u>
	<u>\$ 285,417</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated, the fair value of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2022 is as follows:

Primary Government

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 44,000	\$ -	\$ -	\$ 44,000
Total capital assets not being depreciated	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Capital assets, being depreciated:				
Buildings	401,236	-	-	401,236
Improvements Other Than Buildings	8,971	-	-	8,971
Equipment	326,886	9,356	-	336,242
	<u>737,093</u>	<u>9,356</u>	<u>-</u>	<u>746,449</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

5. CHANGES IN CAPITAL ASSETS, continued

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022
Less accumulated depreciation for:				
Buildings	23,304	12,159	-	35,463
Improvements Other Than Buildings	1,121	897	-	2,018
Equipment	292,773	10,607	-	303,380
	<u>317,198</u>	<u>23,663</u>	<u>-</u>	<u>340,861</u>
Total capital assets being depreciated, net	<u>419,895</u>	<u>(14,307)</u>	<u>-</u>	<u>405,588</u>
Governmental Activities, capital assets, net	<u>\$ 463,895</u>	<u>\$ (14,307)</u>	<u>\$ -</u>	<u>\$ 449,588</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Depreciation – General Government	\$ 7,888
Depreciation – Public Works	7,888
Depreciation – Conservation & Development	<u>7,887</u>
Total depreciation expense – governmental activities	<u>\$ 23,663</u>

Component Unit

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Total capital assets not being depreciated	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Capital assets, being depreciated:				
Buildings	328,284	-	-	328,284
Improvements Other Than Buildings	7,340	-	-	7,340
Equipment	43,724	2,579	-	46,303
	<u>379,348</u>	<u>2,579</u>	<u>-</u>	<u>381,927</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

5. CHANGES IN CAPITAL ASSETS, continued

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022
Less accumulated depreciation for:				
Buildings	13,132	6,566	-	19,698
Improvements Other Than Buildings	1,464	730	-	2,194
Equipment	35,919	2,736	-	38,655
	<u>50,515</u>	<u>10,032</u>	<u>-</u>	<u>60,547</u>
Total capital assets being depreciated, net	<u>328,833</u>	<u>(7,453)</u>	<u>-</u>	<u>321,380</u>
Component Unit, capital assets, net	<u>\$ 364,833</u>	<u>\$ (7,453)</u>	<u>\$ -</u>	<u>\$ 357,380</u>

Depreciation expense of \$10,032 was all charged to the SBA Loan Fund.

6. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended September 30, 2022 is as follows:

Primary Government

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022	Current Portion
Governmental Activities:					
Buyout Agreement	\$ 131,415	\$ -	\$ (16,500)	\$ 114,915	\$ 16,500
Compensated Absences	60,923	74,431	(75,434)	59,920	53,928
	<u>\$ 192,338</u>	<u>\$ 74,431</u>	<u>\$ (91,934)</u>	<u>\$ 174,835</u>	<u>\$ 70,428</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

6. LONG-TERM LIABILITIES, continued

Buyout Agreement

The Association has entered into an agreement with the Development Company to purchase a portion of the office building they share. The term of the agreement is for a period of ten (10) years, commencing November 1, 2019 and ending on October 31, 2029. The monthly payment is currently \$1,375. At the conclusion of the agreement term, on condition of no breach of its obligations under the terms of the agreement by the Association, the Development Company will convey a 55% undivided interest in the property, inclusive of the office building, to the Association, by warranty deed. Both the Association and the Development Company will have the right to continue to occupy their respective portions of the property throughout such time that the parties may continue to own the property together, but not exceeding a 99 year term. No additional payment or consideration is required in exchange for conveyance of the 55% interest, other than the payments provided for by the buyout agreement. The cost and accumulated depreciation of the portion of the office building covered by this agreement as of September 30, 2022 is \$401,236 and \$35,463, respectively. The depreciation expense for the year ended September 30, 2022 was \$12,159.

The annual requirements to amortize all debt outstanding as of September 30, 2022 are as follows:

Year Ended September 30,	Principal	Interest	Total
2023	\$ 16,500	\$ -	\$ 16,500
2024	16,500	-	16,500
2025	16,500	-	16,500
2026	16,500	-	16,500
2027	16,500	-	16,500
2028 - 2032	32,415	-	32,415
	<u>\$ 114,915</u>	<u>\$ -</u>	<u>\$ 114,915</u>

Compensated Absences

Compensated absences consist of accrued vacation leave which will be paid by the General Fund.

Component Unit

	Balance 10/1/2021	Increases	Decreases	Balance 9/30/2022	Current Portion
Component Unit:					
Notes Payable	<u>\$ 601,739</u>	<u>\$ -</u>	<u>\$ (93,250)</u>	<u>\$ 508,489</u>	<u>\$ 58,926</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

6. LONG-TERM LIABILITIES, continued

Notes Payable

All long-term liabilities of the component unit consist of notes payable as follows:

On July 7, 1992, the Development Company entered into a loan agreement with Rural Development to establish an Intermediary Relending Program, with up to \$1,000,000 being used to make loans to eligible recipients. Under the terms of this agreement, interest only at 1% is due annually for the first three years, with annual installments of principal and interest beginning July 7, 1996 payable from the Intermediary Relending Program. The loan due date is July 7, 2022. As of September 30, 2022, the entire \$1,000,000 has been advanced to the Development Company, and the loan balance was \$-0-. Total interest expense during the year ended September 30, 2022 was \$261.

On March 7, 2002, the Development Company entered into a loan agreement with Rural Development to establish an Intermediary Relending Program, with up to \$750,000 being used to make loans to eligible recipients. Under the terms of this agreement, interest only at 1% is due annually for the first three years, with annual installments of principal and interest beginning March 7, 2006 payable from the Intermediary Relending Program #2. The loan due date is March 7, 2032. As of September 30, 2022, loan proceeds of \$750,000 have been advanced to the Development Company, and the loan balance was \$291,186. Total interest expense during the year ended September 30, 2022 was \$3,035.

On May 13, 2020, the Development Company entered into a loan agreement with Codington-Clark Electric Cooperative, Inc. to refinance the Rural Electric Economic Development, Inc. loan. Under the terms of this agreement, the interest rate is 0% with monthly installments of principal beginning June 15, 2020. The loan due date is June 15, 2030. As of September 30, 2022, loan proceeds of \$300,000 have been advanced to the Development Company, and the loan balance was \$217,303.

The annual requirements to amortize all debt outstanding as of September 30, 2022 are as follows:

Year Ended September 30,	Principal	Interest	Total
2023	\$ 58,926	\$ 2,912	\$ 61,838
2024	59,215	2,623	61,838
2025	59,508	2,330	61,838
2026	59,803	2,035	61,838
2027	60,101	1,737	61,838
2028 - 2032	210,936	4,099	215,035
	<u>\$ 508,489</u>	<u>\$ 15,736</u>	<u>\$ 524,225</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

7. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances as of September 30, 2022 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 5,330	\$ -
CARES Relief Fund	-	4,714
Disaster Relief Fund	-	616
	<u>\$ 5,330</u>	<u>\$ 5,330</u>

The interfund receivable and payable balances are due to the General Fund paying the expenditures and the other funds reimbursing the General Fund for their proportionate share.

8. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

Benefits Provided, continued

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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/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.

The 2017 legislation established the current COLA process. At each valuation date:

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

Benefits Provided, continued

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Association's share of contributions to the SDRS for the fiscal years ended September 30, 2022, 2021 and 2020 was \$58,924, \$55,866, and \$49,650 respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.07% funded and accordingly has a net pension liability (asset). The proportionate shares of the components of the net pension liability (asset) of South Dakota Retirement System, for the Association as of the measurement period ending June 30, 2022 and reported by the Association as of September 30, 2022 are as follows:

Proportionate share of total pension liability	\$ 5,859,809
Less proportionate share of net position restricted for pension benefits	<u>5,863,732</u>
Proportionate share of net pension liability (asset)	<u>\$ (3,923)</u>

At September 30, 2022, the Association reported an liability (asset) of \$(3,923) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Association's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Association's proportion was 0.0415100%, which is an increase of .002224% from its proportion measured as of June 30, 2021.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

Pension Liability (Asset), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:

For the year ended September 30, 2022, the Association recognized a reduction in pension expense of (\$18,217). At September 30, 2022, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,677	\$ 255
Changes in assumptions	249,331	218,505
Net difference between projected and actual earnings on pension plan investments	-	9,401
Changes in proportion and difference between Association contributions and proportionate share of contributions	1,245	4,849
Association contributions subsequent to the measurement date	13,845	-
Total	<u>\$ 339,098</u>	<u>\$ 233,010</u>

\$13,845 reported as deferred outflow of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended September 30	
2023	\$ 24,893
2024	53,127
2025	(63,114)
2026	77,337
Total	<u>\$ 92,243</u>

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

Actuarial Assumptions

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

Actuarial Assumptions, continued

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

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

Discount Rate

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

8. PENSION PLAN, continued

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Association's proportionate share of the net pension liability/(asset)	\$ 814,566	\$ (3,923)	\$ (672,844)

Pension Plan Fiduciary Net Position

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

9. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2022, the Association managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

9. RISK MANAGEMENT, continued

Liability Insurance, continued

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The Association reflected the effects of the new SDPM policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and in the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

The Association carries a \$2,500 deductible for the officials' liability coverage.

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

Worker's Compensation

The Association purchases liability insurance for worker's compensation from a commercial insurance carrier.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

9. RISK MANAGEMENT, continued

Unemployment Benefits

The Association has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended September 30, 2022, no claims for unemployment benefits were paid. At September 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

10. LITIGATION

At September 30, 2022, the Association was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY/(ASSET)**

**South Dakota Retirement System
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Association's proportion of the net pension liability/asset	0.0398728%	0.0396182%	0.0398293%	0.0364612%	0.0372504%
Association's proportionate share of net pension liability/(asset)	\$ (287,267)	\$ (168,032)	\$ 134,539	\$ (3,309)	\$ (869)
Association's covered-employee payroll	\$ 697,266	\$ 723,311	\$ 757,354	\$ 763,152	\$ 774,396
Association's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	17.76%	-0.43%	-0.11%
Plan fiduciary net position as a percentage of the total pension liability/asset	107.30%	104.10%	96.89%	100.10%	100.02%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Association's proportion of the net pension liability/asset	0.0348346%	0.0372506%	0.0392860%	0.0415100%	
Association's proportionate share of net pension liability/(asset)	\$ (3,682)	\$ (1,618)	\$ (300,864)	\$ (3,923)	
Association's covered-employee payroll	\$ 740,656	\$ 816,238	\$ 891,534	\$ 991,203	
Association's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-0.50%	-0.20%	-33.75%	-0.40%	
Plan fiduciary net position as a percentage of the total pension liability/asset	100.09%	100.04%	105.52%	100.07%	

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

Until a full 10-year trend is completed, the Association will present information for those years for which information is available.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF THE ASSOCIATION'S CONTRIBUTIONS

**South Dakota Retirement System
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 42,158	\$ 43,910	\$ 44,994	\$ 44,772	\$ 45,787
Contributions in relation to the contractually required contribution	<u>42,158</u>	<u>43,910</u>	<u>44,994</u>	<u>44,772</u>	<u>45,787</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered-employee payroll	\$ 702,636	\$ 731,829	\$ 751,153	\$ 746,193	\$ 763,109
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 45,577	\$ 49,650	\$ 55,866	\$ 58,924
Contributions in relation to the contractually required contribution	<u>45,577</u>	<u>49,650</u>	<u>55,866</u>	<u>58,924</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's covered-employee payroll	\$ 759,620	\$ 826,193	\$ 931,098	\$ 982,069
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

Until a full 10-year trend is completed, the Association will present information for those years for which information is available.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES SEPTEMBER 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES SEPTEMBER 30, 2022

Actuarial Assumption Changes, continued

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

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/ Project Grant/ Program Title	Assistance Listing Number	Project/ Grant Number	Current Year Expenditures
U.S. Department of Commerce:			
Direct Federal Funding:			
Economic Development -			
Support for Planning Organizations:	11.302		
Planning Assistance Grant		ED21DEN3020003	\$ 79,719
Economic Development Cluster			
Economic Adjustment Assistance:	11.307		
Economic Adjustment Assistance		COVID-19 - ED20DEN3070069	\$ 162,913
Revolving Loan Fund Grant - Note 3		05-79-05875	505,639
Revolving Loan Fund Grant - Note 3		COVID-19 - 05-79-06010	<u>1,518,852</u>
Total Economic Development Cluster			<u>2,187,404</u>
Total U.S. Department of Commerce			<u>2,267,123</u>
U.S. Department of Transportation:			
Indirect Federal Funding:			
Passed through the S.D. Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	311431	7,236
		311491	42,710
		311543	6,066
		311512	<u>99,996</u>
			<u>156,008</u>
Total Federal Expenditures - Note 4			<u>\$ 2,423,131</u>

Note 1: Basis of Presentation

This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Association under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Association.

Note 2: Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Association has not elected to use the 10% de minimis cost rate.

Note 3: Federal Loan Programs

The federal fund expenditures for the Economic Development Cluster are calculated as follows:

Total Grant Awarded:			
Grant	Grant Amount	Matching	Total Award
05-79-05875	\$ 500,000	\$ -	\$ 500,000
05-79-06010	<u>1,697,597</u>	<u>-</u>	<u>1,697,597</u>
	<u>\$ 2,197,597</u>	<u>\$ -</u>	<u>\$ 2,197,597</u>
Federal Share:			
Grant Amount	\$ 2,197,597		
Total Award	\$ 2,197,597		
Federal Share:	100%		
As of September 30, 2022:			
Balance of notes receivable, net of allowance	\$ 452,583	\$ 1,239,885	
Cash balance	45,148	196,561	
Administrative costs	<u>7,908</u>	<u>82,406</u>	
Total Expenditures	<u>\$ 505,639</u>	<u>\$ 1,518,852</u>	
Federal Share	100%	100%	
Total Federal Expenditures	<u>\$ 505,639</u>	<u>\$ 1,518,852</u>	

Note 4:

The total only includes the federal expenditures of the First District Association of Local Governments, the primary government, and does not include the federal expenditures of the First District Development Company, a component unit of the First District Association of Local Governments.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT PLANNING ASSISTANCE GRANT ED21DEN3020003
AWARD PERIOD: JANUARY 1, 2021 THROUGH MARCH 31, 2024

	<u>Budget</u>	<u>Actual Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal Funding	\$ 210,000	\$ 40,422	\$ 79,719	\$ 120,141
Local Funding	<u>210,000</u>	<u>40,422</u>	<u>79,719</u>	<u>120,141</u>
Total Revenues	<u>420,000</u>	<u>80,844</u>	<u>159,438</u>	<u>240,282</u>
Expenditures				
Personnel	225,000	47,444	92,102	139,546
Fringe Benefits	61,200	12,550	24,286	36,836
Travel & Lodging	30,000	1,488	10,704	12,192
Indirect Costs	<u>103,800</u>	<u>19,362</u>	<u>32,346</u>	<u>51,708</u>
Total Expenditures	<u>420,000</u>	<u>80,844</u>	<u>159,438</u>	<u>240,282</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC ADJUSTMENT ASSISTANCE GRANT ED20DEN3070069
AWARD PERIOD: JULY 1, 2020 THROUGH JUNE 30, 2022

	<u>Budget</u>	<u>Actual Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal Funding	\$ 376,000	\$ 235,000	\$ 141,000	\$ 376,000
Total Revenues	<u>376,000</u>	<u>235,000</u>	<u>141,000</u>	<u>376,000</u>
Expenditures				
Personnel	159,080	118,639	72,595	191,234
Fringe Benefits	39,770	27,783	16,540	44,323
Professional Fees	75,000	-	43,951	43,951
Supplies	17,000	10,716	4,025	14,741
Travel & Lodging	13,000	7,616	3,338	10,954
Indirect Costs	<u>72,150</u>	<u>48,333</u>	<u>25,495</u>	<u>73,828</u>
Total Expenditures	<u>376,000</u>	<u>213,087</u>	<u>165,944</u>	<u>379,031</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 21,913</u>	<u>\$ (24,944)</u>	<u>\$ (3,031)</u>

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
TECHNICAL ASSISTANCE AGREEMENT
AWARD PERIOD: JULY 1, 2021 THROUGH JUNE 30, 2022

	Budget	Through 9/30/2021	Actual Current Year	Total
Revenues				
Federal Funding	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
State Funding	<u>20,000</u>	<u>1,250</u>	<u>18,750</u>	<u>20,000</u>
Total Revenues	<u>40,000</u>	<u>21,250</u>	<u>18,750</u>	<u>40,000</u>
Expenditures				
Personnel	40,000	13,757	13,809	27,566
Fringe Benefits	-	1,302	1,606	2,908
Travel & Lodging	-	-	546	546
Indirect Costs	<u>-</u>	<u>5,614</u>	<u>4,850</u>	<u>10,464</u>
Total Expenditures	* <u>40,000</u>	<u>20,673</u>	<u>20,811</u>	<u>41,484</u>
Excess of Revenues Under				
Expenditures	<u>\$ -</u>	<u>\$ 577</u>	<u>\$ (2,061)</u>	<u>\$ (1,484)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
TECHNICAL ASSISTANCE AGREEMENT
AWARD PERIOD: JULY 1, 2022 THROUGH JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>
Revenues		
Federal Funding	\$ 20,000	\$ 20,000
State Funding	<u>20,000</u>	<u>1,250</u>
Total Revenues	<u>40,000</u>	<u>21,250</u>
Expenditures		
Personnel	40,000	7,449
Fringe Benefits	-	1,771
Travel & Lodging	-	1,048
Indirect Costs	<u>-</u>	<u>2,616</u>
Total Expenditures	<u>40,000</u>	<u>12,884</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 8,366</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
HAZARD MITIGATION
AWARD PERIOD: DECEMBER 1, 2019 THROUGH SEPTEMBER 30, 2020

			<u>Actual</u>	
	<u>Budget</u>	<u>Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Local Funding	\$ 25,000	\$ 2,500	\$ 25,027	\$ 27,527
Total Revenues	<u>25,000</u>	<u>2,500</u>	<u>25,027</u>	<u>27,527</u>
Expenditures				
Personnel	25,000	26,001	8,965	34,966
Fringe Benefits	-	5,883	2,228	8,111
Travel & Lodging	-	611	-	611
Indirect Costs	<u>-</u>	<u>9,937</u>	<u>3,149</u>	<u>13,086</u>
Total Expenditures	* <u>25,000</u>	<u>42,432</u>	<u>14,342</u>	<u>56,774</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (39,932)</u>	<u>\$ 10,685</u>	<u>\$(29,247)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT

SOUTH DAKOTA ONE CALL

AWARD PERIOD: JULY 1, 2021 THROUGH JUNE 30, 2022

			<u>Actual</u>	
	<u>Budget</u>	<u>Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Local Funding	\$ 80,000	\$ 21,670	\$ 58,327	\$ 79,997
Total Revenues	<u>80,000</u>	<u>21,670</u>	<u>58,327</u>	<u>79,997</u>
Expenditures				
Personnel	80,000	13,069	33,638	46,707
Fringe Benefits	-	2,109	5,284	7,393
Indirect Costs	-	5,334	11,814	17,148
Total Expenditures	* <u>80,000</u>	<u>20,512</u>	<u>50,736</u>	<u>71,248</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,158</u>	<u>\$ 7,591</u>	<u>\$ 8,749</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA ONE CALL
AWARD PERIOD: JULY 1, 2022 THROUGH JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>
Revenues		
Local Funding	\$ 85,000	\$ -
Total Revenues	<u>85,000</u>	<u>-</u>
Expenditures		
Personnel	85,000	12,525
Fringe Benefits	-	3,807
Indirect Costs	-	4,399
Total Expenditures	* <u>85,000</u>	<u>20,731</u>
Excess of Revenues Over Expenditures	\$ <u>-</u>	\$ <u>(20,731)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
TECHNICAL SERVICE AGREEMENT
AWARD PERIOD: OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022

	<u>Budget</u>	<u>Actual</u>
Revenues		
State Funding	\$ 2,500	\$ 2,500
Total Revenues	<u>2,500</u>	<u>2,500</u>
Expenditures		
Personnel	2,500	1,352
Fringe Benefits	-	387
Indirect Costs	-	475
Total Expenditures	* <u>2,500</u>	<u>2,214</u>
Excess of Revenues Under Expenditures	<u>\$ -</u>	<u>\$ 286</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION HIGHWAY DISTRICT III
RIGHT OF WAY 311431
AWARD PERIOD: JULY 1, 2020 THROUGH JUNE 30, 2021

		<u>Actual</u>		
	<u>Budget</u>	<u>Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal Funding	\$ 50,500	\$ 43,264	\$ 7,236	\$ 50,500
Total Revenues	<u>50,500</u>	<u>43,264</u>	<u>7,236</u>	<u>50,500</u>
Expenditures				
Personnel	50,500	31,824	-	31,824
Fringe Benefits	-	5,051	-	5,051
Dues and Subscriptions	-	2,299	-	2,299
Travel & Lodging	-	161	-	161
Indirect Costs	-	12,987	-	12,987
Total Expenditures	* <u>50,500</u>	<u>52,322</u>	<u>-</u>	<u>52,322</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (9,058)</u>	<u>\$ 7,236</u>	<u>\$ (1,822)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION HIGHWAY DISTRICT III
RIGHT OF WAY 311491
AWARD PERIOD: JULY 1, 2021 THROUGH JUNE 30, 2022

		<u>Actual</u>		
	<u>Budget</u>	<u>Through 9/30/2021</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Federal Funding	\$ 50,500	\$ -	\$ 42,710	\$ 42,710
Total Revenues	<u>50,500</u>	<u>-</u>	<u>42,710</u>	<u>42,710</u>
Expenditures				
Personnel	50,500	614	32,446	33,060
Fringe Benefits	-	80	4,864	4,944
Dues and Subscriptions	-	-	2,764	2,764
Indirect Costs	<u>-</u>	<u>251</u>	<u>11,395</u>	<u>11,646</u>
Total Expenditures	* <u>50,500</u>	<u>945</u>	<u>51,469</u>	<u>52,414</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (945)</u>	<u>\$ (8,759)</u>	<u>\$ (9,704)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION HIGHWAY DISTRICT III
RIGHT OF WAY 311543
AWARD PERIOD: JULY 1, 2022 THROUGH JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>
Revenues		
Federal Funding	\$ 50,500	\$ 6,066
Total Revenues	<u>50,500</u>	<u>6,066</u>
Expenditures		
Personnel	50,500	5,742
Fringe Benefits	-	762
Indirect Costs	<u>-</u>	<u>2,017</u>
Total Expenditures	* <u>50,500</u>	<u>8,521</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (2,455)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION - 311512
AWARD PERIOD: DECEMBER 31, 2021 THROUGH October 15, 2022

	<u>Budget</u>	<u>Actual</u>
Revenues		
Federal Funding	\$ 99,996	\$ 99,996
Total Revenues	<u>99,996</u>	<u>99,996</u>
Expenditures		
Personnel	99,996	63,238
Fringe Benefits	-	15,153
Vehicle Expense	-	1,816
Dues & Subscriptions	-	17
Gas, Fuel & Oil	-	432
Travel & Lodging	-	1,680
Indirect Costs	<u>-</u>	<u>22,209</u>
Total Expenditures	* <u>99,996</u>	<u>104,545</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (4,549)</u>

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-39-02254
AWARD PERIOD: PERPETUAL**

		Actual	
	Through 9/30/2021	Current Year	Total
Revenues			
Federal Funding	\$ 500,000	\$ -	\$ 500,000
Local Funding	166,667	-	166,667
Loan Processing Fees	77,984	5,473	83,457
Interest on Notes Receivable	1,053,337	41,400	1,094,737
Interest on Deposits	170,845	1,770	172,615
Miscellaneous	9,189	-	9,189
Recovery on Defaulted Loans	45,120	-	45,120
Transfers In	449,900	-	449,900
Total Revenues	<u>2,473,042</u>	<u>48,643</u>	<u>2,521,685</u>
Expenditures			
Bad Debts	(51,633)	(1,321)	(52,954)
Bank Charges	10	-	10
Capital Outlay	11	-	11
Contract Labor	3,849	331	4,180
Software	90	-	90
Internet/Web Service	1,250	197	1,447
Fringe Benefits - Health Insurance	6,975	914	7,889
Insurance	3,662	433	4,095
Fringe Benefits - Life Insurance	-	18	18
Accounting	4,051	499	4,550
Fringe Benefits - FICA	11,873	1,267	13,140
Fringe Benefits - Retirement	8,910	953	9,863
Postage	227	12	239
Professional Fees	5,880	100	5,980
Property Maintenance	-	116	116
Repairs and Maintenance	187	4	191
Rent	5,207	-	5,207
Personnel	157,516	16,764	174,280
Supplies	2,591	313	2,904
Copier	1,682	257	1,939
Telephone	1,813	273	2,086
Travel and Lodging	1,003	77	1,080
Utilities	288	148	436
Audit	788	-	788
Administrative Costs	359,517	-	359,517
Loan Defaults	328,075	-	328,075
Total Expenditures	<u>853,822</u>	<u>21,355</u>	<u>875,177</u>
Excess of Revenues Over Expenditures	<u>\$ 1,619,220</u>	<u>\$ 27,288</u>	<u>\$ 1,646,508</u>

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-79-05875
AWARD PERIOD: PERPETUAL

		Actual	
	Through 9/30/2021	Current Year	Total
Revenues			
Federal Funding	\$ 180,557	\$ -	\$ 180,557
State Funding	319,444	-	319,444
Loan Processing Fees	5,072	3,026	8,098
Interest on Notes Receivable	10,799	14,367	25,166
Interest on Deposits	1,363	69	1,432
Total Revenues	<u>517,235</u>	<u>17,462</u>	<u>534,697</u>
Expenditures			
Bad Debts	6,803	15,130	21,933
Contract Labor	80	97	177
Dues & Subscriptions	-	120	120
Internet/Web Service	53	48	101
Fringe Benefits - Health Insurance	-	255	255
Insurance	1,393	325	1,718
Fringe Benefits - Life Insurance	-	6	6
Accounting	268	252	520
Fringe Benefits - FICA	354	427	781
Fringe Benefits - Retirement	259	317	576
Postage	10	4	14
Professional Fees	272	3	275
Property Maintenance	-	39	39
Repairs and Maintenance	2	-	2
Rent	15	-	15
Personnel	4,703	5,626	10,329
Supplies	68	106	174
Copier	79	102	181
Telephone	69	85	154
Travel & Lodging	80	54	134
Utilities	38	40	78
Total Expenditures	<u>14,546</u>	<u>23,036</u>	<u>37,582</u>
Excess of Revenues Over Expenditures	<u>\$ 502,689</u>	<u>\$ (5,574)</u>	<u>\$ 497,115</u>

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-79-6010
AWARD PERIOD: PERPETUAL

		Actual	
	Through	Current	Total
	9/30/2021	Year	
Revenues			
Federal Funding	\$ 1,009,522	\$ 688,075	\$ 1,697,597
Loan Processing Fees	14,947	9,613	24,560
Interest on Notes Receivable	23,783	28,562	52,345
Interest on Deposits	13	35	48
Total Revenues	<u>1,048,265</u>	<u>726,285</u>	<u>1,774,550</u>
Expenditures			
Bad Debts	65,827	133,006	198,833
Capital Outlay	1,918	1,703	3,621
Contract Labor	630	881	1,511
Internet/Web Service	369	511	880
Fringe Benefits - Health Insurance	137	2,364	2,501
Insurance	603	692	1,295
Fringe Benefits - Life Insurance	-	55	55
Accounting	1,018	1,435	2,453
Fringe Benefits - FICA	3,583	4,753	8,336
Fringe Benefits - Retirement	2,644	3,555	6,199
Postage	16	29	45
Professional Fees	682	358	1,040
Property Maintenance	-	290	290
Repairs and Maintenance	9	3	12
Personnel	47,401	62,663	110,064
Supplies	632	1,197	1,829
Copier	728	749	1,477
Telephone	574	736	1,310
Travel & Lodging	284	82	366
Utilities	350	351	701
Total Expenditures	<u>127,405</u>	<u>215,413</u>	<u>342,818</u>
Excess of Revenues Over Expenditures	<u>\$ 920,860</u>	<u>\$ 510,872</u>	<u>\$ 1,431,732</u>

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF LOCAL REVENUES AND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2022

	Total	Operations	CARES RLF Administration	Revolving Loan Fund Administration	Disaster Relief Fund Administration	Intermediary Relending Program Administration	Intermediary Relending Program #2 Administration	County RLF Administration
Revenues								
City Support	\$ 74,450	\$ 74,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Support	230,954	230,954	-	-	-	-	-	-
State Support	189,650	189,650	-	-	-	-	-	-
Program Charges	516,901	387,110	79,962	22,676	7,732	6,224	7,781	5,416
Interest Income	4,561	4,561	-	-	-	-	-	-
Total Revenues	1,016,516	886,725	79,962	22,676	7,732	6,224	7,781	5,416
Expenditures								
Personnel	371,262	270,787	62,663	16,764	5,626	4,892	6,077	4,453
Fringe Benefits	84,666	67,721	10,727	3,152	1,005	655	810	596
Accounting	2,671	-	1,435	499	252	148	199	138
Bank Charges	175	175	-	-	-	-	-	-
Capital Outlay	2,339	2,339	-	-	-	-	-	-
Contract Labor	1,579	-	881	331	97	101	129	40
Copier	1,338	-	749	257	102	74	109	47
Dues and Subscriptions	1,470	1,470	-	-	-	-	-	-
Gas, Fuel & Oil	49	49	-	-	-	-	-	-
Internet/Web Service	906	-	511	197	48	53	80	17
Insurance	1,616	40	692	433	325	49	59	18
Postage	54	2	29	12	4	-	4	3
Professional Fees	10,024	9,882	28	100	3	6	3	2
Property Maintenance	528	-	290	116	39	34	44	5
Repairs and Maintenance	9	-	3	4	-	1	1	-
Software	415	415	-	-	-	-	-	-
Supplies	2,151	626	867	313	106	87	108	44
Telephone	1,604	288	736	273	85	81	106	35
Travel and Lodging	12,452	12,375	-	77	-	-	-	-
Utilities	652	-	351	148	40	43	52	18
Vehicle Expense	213	213	-	-	-	-	-	-
Indirect Costs	95,101	95,101	-	-	-	-	-	-
Total Expenditures	591,274	461,483	79,962	22,676	7,732	6,224	7,781	5,416
Excess (Deficiencies) of Revenues Over Expenditures	425,242	\$ 425,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues Applied to Grants as Local Match	(79,719)							
Underapplied Indirect Costs	(44,898)							
Net Revenues Over Expenditures	\$ 300,625							

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SCHEDULE OF INDIRECT COSTS
YEAR ENDED SEPTEMBER 30, 2022**

Personnel	\$ 150,822
Fringe Benefits	29,142
Accounting	10,440
Audit	8,250
Bank Charges	17
Capital Outlay	1,289
Copier	2,713
Dues and Subscriptions	3,000
Insurance	6,962
Internet/Web Service	6,071
Postage	6,199
Professional Fees	20,295
Property Maintenance	1,768
Repair and Maintenance	80
Software	1,051
Supplies	4,703
Telephone	5,576
Utilities	<u>2,385</u>
Total Indirect Costs	260,763
Indirect Costs Applied	<u>(215,865)</u>
Underapplied Indirect Costs	<u>\$ 44,898</u>

See Independent Auditor's Report

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 Governing Board
First District Association of Local Governments
Watertown, 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 governmental activities, the discretely presented component unit, and each major fund of the **First District Association of Local Governments** (hereinafter referred to as the Association), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

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

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
May 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Governing Board
First District Association of Local Governments
Watertown, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the First District Association of Local Government's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the First District Association of Local Government's major federal programs for the year ended September 30, 2022. The First District Association of Local Government's (hereinafter referred to as the Association) major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Association's basic financial statements include the operations of the First District Development Company (discretely presented component unit), which received \$354,436 in federal awards which are not included on the schedule of expenditures of federal awards for the year ended September 30, 2022. Our audit, described below, did not include the operations of the First District Development Company because the component unit has a separately issued audit and the total federal awards did not exceed the threshold requirements for a single audit under Uniform Guidance.

In our opinion, the First District Association of Local Government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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..

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
May 30, 2023

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

SECTION II. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no financial statement audit findings reported.

SECTION III. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no major federal award program audit findings reported.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Audit findings disclosed that are required to be reported in accordance with Uniform Guidance _____ yes X no

Identification of major programs:

Assistance Listing Number
11.307

Name of Federal Program or Cluster
Economic Adjustment Assistance

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS - continued
YEAR ENDED SEPTEMBER 30, 2022

SECTION II. FINDINGS - CURRENT FINANCIAL STATEMENTS AUDIT

There are no financial statement audit findings reported.

SECTION III. FINDINGS - CURRENT MAJOR FEDERAL AWARD PROGRAMS

There are no major program audit findings reported.