

**James River Water Development District**

**Financial Statements  
and Independent Auditor's Report**

**For the Year Ended  
December 31, 2020**

**James River Water Development District**

District Officials

December 31, 2020

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**Board of Directors:**

- Dan Klimisch -----Chairman
- Randy Stanley----- Vice-Chairman
- Robert Braun----- Secretary
- Frank Amundson-----Treasurer
- LeRoy Braun----- Member
- Clinton Bauer ----- Member
- Dan Koupal ----- Member
- Carol Millan ----- Member
- Mike Wiese----- Member

David Bartel ----- Manager

Judy Smoyer----- CFO & Associate Manager

**James River Water Development District**  
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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
James River Water Development District  
Beadle County, South Dakota

We have audited, in accordance with the 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, and the major fund of James River Water Development District, Beadle County, South Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise James River Water Development District's basic financial statements and have issued our report thereon dated May 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered James River Water Development District's internal control over financial reporting (internal control) as a basis for determining 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 James River Water Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of James River Water Development District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether James River Water Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
May 25, 2021

**James River Water Development District**  
Schedule of Current and Prior Year Audit Findings and Questioned Costs  
Year Ended December 31, 2020

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**Schedule of Prior Year Audit Findings**

Finding 2019-01 Preparation of Financial Statements and Footnotes, and Material Proposed Adjustments to the Financial Statements

Summary: ELO Prof. LLC prepared the financial statements

Status: Ongoing. Due to cost considerations, James River Water Development District will continue to have ELO Prof. LLC prepare our financial statements and accompanying notes to the financial statements.

Finding 2019-02 Lack of Segregation of Duties

Summary: James River Water Development District has a limited number of office personnel and, accordingly, has insufficient number of staff to adequately separate duties.

Status: Ongoing. Due to cost considerations, James River Water Development District will have the board exercise adequate oversight.

**James River Water Development District**  
Schedule of Current and Prior Year Audit Findings and Questioned Costs  
Year Ended December 31, 2020

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**Schedule of Current Year Audit Findings and Questioned Costs**

Finding 2020-01 Preparation of Financial Statements and Footnotes, and Material Proposed Adjustments to the Financial Statements

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: James River Water Development District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: James River Water Development District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the District's ability to report financial data in accordance with generally accepted accounting principles.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.

Finding 2020-02 Lack of Segregation of Duties

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: James River Water Development District has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls because of a lack of segregation of duties.

Cause: The District has insufficient number of staff to adequately separate duties in all areas.

Effect: This condition increases the risk that fraud or errors might occur and not be detected in the financial reporting process.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.



## **Independent Auditor's Report**

Board of Directors  
James River Water Development District  
Beadle County, South Dakota

We have audited the accompanying financial statements of the governmental activities, and each major fund of James River Water Development District, Beadle County, South Dakota, as of December 31, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the James River Water Development District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of James River Water Development District, as of December 31, 2020, 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.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 7 through 13, the Budgetary Comparison Schedule on page 38, the Schedule of the Proportionate Share of the Net Pension Liability (Asset) on page 40, and the Schedule of Water District Contributions on page 41 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.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Huron, South Dakota  
May 25, 2021

## James River Water Development District

### Management Discussion and Analysis

December 31, 2020

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This section of James River Water Development District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on December 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

#### Financial Highlights

- During the year, the District's revenues generated from taxes and other revenues of the governmental programs were \$59,598 more than the \$2,035,286 governmental-type program expenditure.
- The total tax levy for 2020 was \$1,016,684.
- The District does participate in projects with the State of South Dakota. Although we are partners, these funds never pass through the District. The State funds are reimbursed to the District.

#### Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- James River Water Development District does not have any Proprietary or Fiduciary fund statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**James River Water Development District**

Management Discussion and Analysis

December 31, 2020

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1		
<b>Major Features of the District’s Government-Wide and Fund Financial Statements</b>		
	Government-Wide Statements	Fund Statements <hr/> Governmental Funds
Scope	Entire District government (except fiduciary funds and the fiduciary component units)	All of the activities of the District because they do not have any proprietary or fiduciary activities.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

## James River Water Development District

Management Discussion and Analysis

December 31, 2020

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### Government-Wide Statements

The government-wide statement report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statement reports the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes to the state grant agreement.
- The government-wide financial statements of the District are reported in one category:
- Governmental Activities – This category includes the District's general, project assistance, state grant funds, and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one kind of fund:

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

## James River Water Development District

### Management Discussion and Analysis

December 31, 2020

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#### Financial Analysis of the District as a Whole

#### Net Position

The District's combined net position increased as follows:

Table A-1  
James River Water Development District  
Statement of Net Position

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 1,312,127	\$ 1,399,940
Capital Assets	<u>88,256</u>	<u>84,624</u>
Total Assets	<u>1,400,383</u>	<u>1,484,564</u>
Pension Related Deferred Outflows	<u>93,333</u>	<u>72,436</u>
Other Liabilities	<u>38,757</u>	<u>209,024</u>
Total Liabilities	<u>38,757</u>	<u>209,024</u>
Pension Related Deferred Inflows	<u>83,159</u>	<u>35,774</u>
Net Position:		
Net Investment in Capital Assets	88,256	84,624
Restricted for SDRS Pension Purposes	10,803	38,203
Unrestricted	<u>1,272,741</u>	<u>1,189,375</u>
Total Net Position	<u>\$ 1,371,800</u>	<u>\$ 1,312,202</u>
Beginning Net Position	<u>\$ 1,312,202</u>	<u>\$ 1,232,186</u>
Increase (Decrease) in Net Position	<u>\$ 59,598</u>	<u>\$ 80,016</u>
Percentage of Increase (Decrease) in Net	4.54%	6.49%

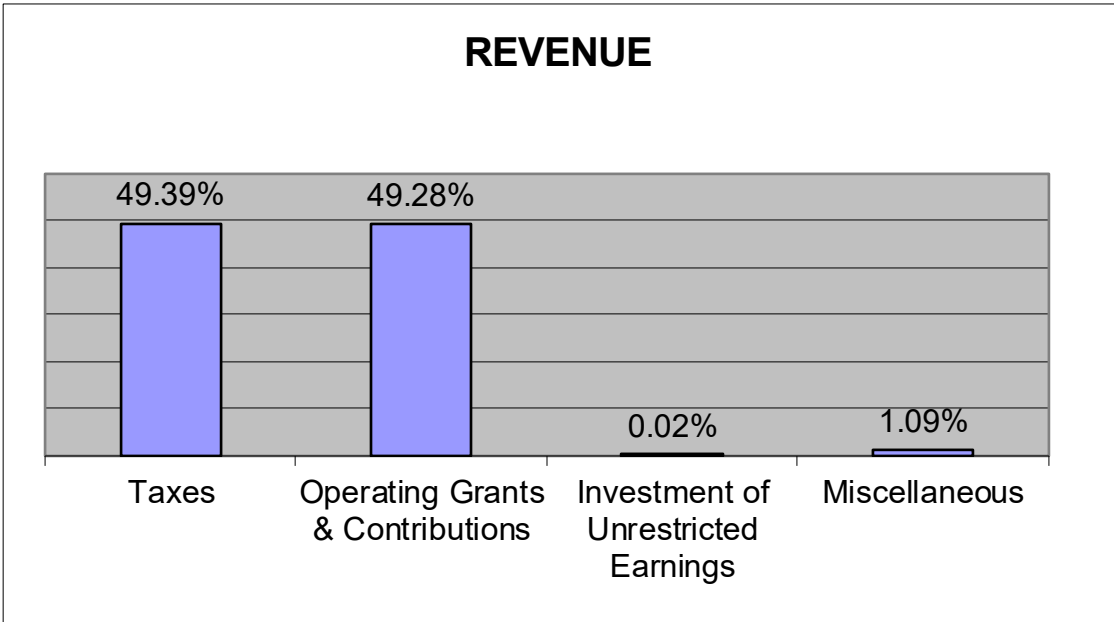
The Statement of Net Position reports all financial and capital resources. The Statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liability of the District, consisting of compensated absences payable, has been reported in this manner on the Statement of Position. The difference between the District's assets and liabilities is its net position.

**James River Water Development District**  
Management Discussion and Analysis  
December 31, 2020

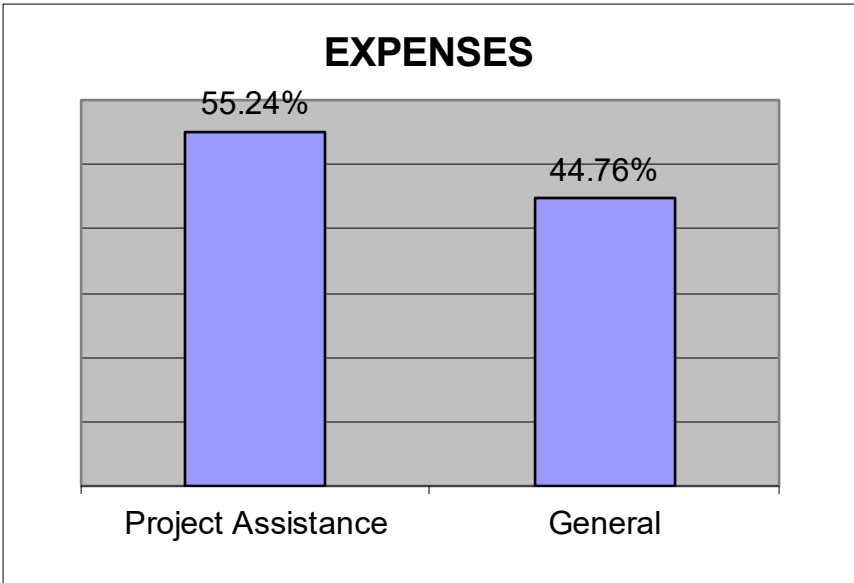
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**Changes in Net Position**

The District’s total revenues totaled \$2,094,884. About 49% of the District’s revenue comes from property and other taxes, with another 49% coming from operating grants and contributions.



The total cost of all programs and services was \$2,035,286. The District’s expenses cover mainly general administrative expense and project assistance. The District also sponsors grant funds from the South Dakota Water and Environmental Fund. The State grant agreement requires local match of any state funds expended.



## James River Water Development District

### Management Discussion and Analysis

December 31, 2020

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#### Governmental Activities

Table A-2  
James River Water Development District  
Changes in Net Position

	Total Governmental Activities		Percentage Change
	2020	2019	
Revenues			
Operating Grants and Contributions	\$ 1,032,458	\$ 1,103,046	-6.40%
General Revenues			
Taxes	1,034,575	1,003,589	3.09%
Revenue Local Sources	27,456	192	14200.00%
Unrestricted Investment Earnings	395	736	-46.33%
Total Revenues	<u>2,094,884</u>	<u>2,107,563</u>	<u>-0.60%</u>
Expenses			
General	910,951	1,039,160	-12.34%
Project Assistance	<u>1,124,335</u>	<u>988,387</u>	<u>13.75%</u>
Total Expenses	<u>2,035,286</u>	<u>2,027,547</u>	<u>0.38%</u>
Increase (Decrease) in Net Position	<u>\$ 59,598</u>	<u>\$ 80,016</u>	<u>-25.52%</u>
Ending Net Position	<u>\$ 1,371,800</u>	<u>\$ 1,312,202</u>	<u>4.54%</u>

#### Financial Analysis of the District's Funds

The general fund balance increased by \$59,598. Total revenues and expenses remained consistent from 2019 to 2020.

#### Budgetary Highlights

Over the course of the year, the Water District can revise the budget. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes during the year.

## **James River Water Development District**

### Management Discussion and Analysis

December 31, 2020

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#### **Capital Asset Administration**

- The District had invested \$162,297 in capital assets. The accumulated depreciation on this property totals \$74,041 at December 31, 2020.

Capital Asset purchases was \$39,999 for a 2020 Ford Pickup.

#### **Long-Term Debt**

At year-end the District had \$38,757 in long-term obligations for compensated absences. The District is liable for the payment of unused sick and vacation leave upon leaving the District. Maximum accumulation of vacation leave is 320 hours, paid out at the current rate of pay as of the last day of employment. Maximum accumulation of sick leave is, 520 hours, paid out at one-half (1/2) the current base rate, provided only to employees with 5 years of service.

#### **Economic Factors and Next Year's Budgets and Rates**

The revenues of the District are generated from a tax levy. The District had an annual tax levy of \$1,016,684 for 2020. By law, the District can increase its budget from the Consumer Price Index (adjustment for inflation) and property taxes from new construction and growth in the Counties tax base.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the James River Water Development District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the James River Water Development District Business Office, PO Box 849, Huron, SD 57350.



# James River Water Development District

## Statement of Net Position

December 31, 2020

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	<u>Primary Government Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,160,728
Taxes receivable	18,371
Other assets	132,400
Net pension asset	628
Capital assets:	
Other capital assets, net of depreciation	<u>88,256</u>
<b>Total Assets</b>	<u>1,400,383</u>
<b>Deferred Outflows of Resources:</b>	
Pension related deferred outflows	<u>93,333</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 1,493,716</u>
<b>Liabilities:</b>	
Accounts payable	\$ --
Compensated absences due within one year	12,000
Noncurrent liabilities:	
Compensated absences due in more than one year	<u>26,757</u>
<b>Total Liabilities</b>	<u>38,757</u>
<b>Deferred Inflows of Resources:</b>	
Pension related deferred inflows	<u>83,159</u>
<b>Net Position:</b>	
Net investment in capital assets	88,256
Restricted for SDRS pension purposes	10,803
Unrestricted	<u>1,272,741</u>
<b>Total Net Position</b>	<u>\$ 1,371,800</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**James River Water Development District**  
Statement of Activities  
For the Year Ended December 31, 2020

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position Primary Government</b>
			<b>Governmental Activities</b>
<b>Primary Government:</b>			
Governmental Activities:			
General	\$ 910,951	\$ --	\$ (910,951)
Project assistance	1,124,335	1,032,458	(91,877)
<b>Total Governmental Activities</b>	<b>\$ 2,035,286</b>	<b>\$ 1,032,458</b>	<b>(1,002,828)</b>
<b>General Revenues</b>			
Taxes:			
Property taxes			1,034,575
Revenue from Local Sources:			
Other			27,456
Unrestricted Investment Earnings			395
<b>Total General Revenues</b>			<b>1,062,426</b>
Change in Net Position			59,598
Net Position-Beginning			1,312,202
Net Position-Ending			<b>\$ 1,371,800</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

# James River Water Development District

Balance Sheet  
December 31, 2020

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	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,160,728
Taxes receivable-current	5,412
Taxes receivable-delinquent	12,959
Due from other governments	129,858
Prepays	<u>2,542</u>
<b>Total Assets</b>	<u><u>\$ 1,311,499</u></u>
<b>Liabilities, Deferred Inflows, and Fund Balances:</b>	
Liabilities:	
Accounts payable	\$ --
Total Liabilities	<u>--</u>
Deferred Inflows of Resources:	
Deferred inflow of resources - taxes	<u>18,677</u>
Total Deferred Inflows of Resources	<u>18,677</u>
Fund Balances:	
Nonspendable	2,542
Assigned - project assistance	523,182
Unassigned	<u>767,098</u>
Total Fund Balances	<u>1,292,822</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u><u>\$ 1,311,499</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**James River Water Development District**  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 December 31, 2020

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**Total Fund Balances - Governmental Fund** \$ 1,292,822

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the fund. 628

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	The cost of capital assets is	\$ 162,297	
	Accumulated depreciation is	<u>(74,041)</u>	
	Net		88,256

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the fund. 93,333

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	Deferred inflow of resources	18,677
--	------------------------------	--------

Long-term liabilities, including accrued leave payable are not due and payable in the current period and therefore are not reported in the fund.	Accrued leave payable (vacation and sick leave)	(38,757)
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the fund.		<u>(83,159)</u>
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Net Position-Government Activities \$ 1,371,800

**James River Water Development District**  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
For the Year Ended December 31, 2020

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	<b>General Fund</b>
<b>Revenues:</b>	
Revenue from Local Sources:	
Taxes:	
Ad valorem taxes	\$ 1,004,746
Prior years' ad valorem taxes	7,146
Other	16,793
Penalties and interest on taxes	3,088
Revenue from Local Governmental	
Revenue in lieu of taxes	220
Earnings on Investments and Deposits	395
Revenue from State Sources:	
Grants-in-aid:	
Restricted grants-in-aid	1,032,458
Total Revenue	2,064,846
<b>Expenditures:</b>	
General:	
Board of directors	16,731
Administration and technical assistance	250,925
Professional fees	10,294
Project assistance	1,124,335
State grant fund	568,641
Capital outlay	39,999
Total Expenditures	2,010,925
Excess of Revenue Over Expenditures	53,921
<b>Other Financing Sources:</b>	
Sale of surplus property	27,236
Total Other Financing Sources	27,236
Net Change in Fund Balance	81,157
Fund Balance - Beginning	1,211,665
Fund Balance - Ending	\$ 1,292,822

The accompanying Notes to Financial Statements are an integral part of this statement.

**James River Water Development District**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance  
to the Statement of Activities  
For the Year Ended December 31, 2020

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**Total Net Change in Fund Balances - Governmental Fund** \$ 81,157

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital Outlay	\$ 39,999	
Depreciation Expense	<u>(16,227)</u>	
Net		23,772

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.

(20,140)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Prior Year	(15,875)	
Current Year	<u>18,677</u>	
Net		2,802

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

Prior Year	38,165	
Current Year	<u>(38,757)</u>	
Net		(592)

Changes in the pension related deferred outflows /inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.

(27,401)

Change in Net Position of Governmental Activities \$ 59,598

# James River Water Development District

## Notes to the Financial Statements

December 31, 2020

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### 1. Summary of Significant Accounting Policies:

#### a. Financial Reporting Entity:

The reporting entity of James River Water Development District consists of the primary government (which includes one fund) that makes up the legal entity.

The fund included in this report is controlled by or dependent upon the James River Water Development District Board of Directors.

The District has no component units as defined by GASB 14.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments.

#### b. Basis of Presentation:

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are 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 a fund. The fund is accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District 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

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 1. Summary of Significant Accounting Policies: (continued)

##### b. Basis of Presentation: (continued)

Fund Financial Statements: (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.
4. 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
5. 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
6. 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 District financial reporting entity are described below:

Governmental Funds:

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

##### 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.



## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 1. Summary of Significant Accounting Policies: (continued)

##### c. Measurement Focus and Basis of Accounting: (continued)

###### 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, governmental activities are presented using accrual basis of accounting. Revenues and related assets are recorded when earned and expenses and related liabilities are recorded when an obligation has incurred.

###### Fund Financial Statements:

All governmental funds types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the District is thirty days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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.

##### d. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

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**1. Summary of Significant Accounting Policies: (continued)**

**d. Capital Assets: (continued)**

Government-Wide Financial Statements:

The total December 31, 2020 balance of capital assets for governmental activities were all valued by the original costs. Depreciation of all exhaustible fixed 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. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Machinery and equipment	\$500	straight-line	5-10 years

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.

**e. Program Revenues:**

Program revenues derive directly from the program itself or from parties other than the District's taxpayers or 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.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 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 operation and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences.

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

##### g. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund share, or similar investments in external investment pools, are also considered to cash equivalents.

##### h. Equity Classifications:

Government-Wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 1. Summary of Significant Accounting Policies: (continued)

##### i. Application of Net Position:

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

##### j. Fund Balance Classification Procedures:

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

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the District Board.
- 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.

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

##### k. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 1. Summary of Significant Accounting Policies: (continued)

##### I. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the District's year ending December 31, 2022.

#### 2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

Deposits – The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

Credit Risk – State law limits eligible investments for the District, as discussed above. The District does not have any investments.

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, none of the District's deposits in financial institutions were exposed to custodial credit risk.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (continued)

Custodial Credit Risk - Investments – The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. All of the District's investments are in a savings account.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from investments to the fund making the investment.

#### 3. Property Taxes:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The District is permitted by several state statutes to levy taxes, not to exceed thirty cents per \$1,000 of taxable valuation on taxable real property in the District.

#### 4. Receivables and Payables:

The district aggregates receivables and payables in the financial statements. Amounts due from other governments include reimbursements for various programs. These amounts include \$129,858 due from the state government.

The payables were in the amount of \$0 as of December 31, 2020.

**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

**5. Change in Capital Assets:**

A summary of changes in capital assets for the fiscal year ended December 31, 2020 is as follows:

	<u>Balance 12/31/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	<u>\$ 158,293</u>	<u>\$ 39,999</u>	<u>\$ 35,995</u>	<u>\$ 162,297</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>73,669</u>	<u>16,227</u>	<u>15,855</u>	<u>74,041</u>
Total Capital Assets Being Depreciated, Net	<u>84,624</u>	<u>23,772</u>	<u>20,140</u>	<u>88,256</u>
Governmental Activity Capital Assets, Net	<u>\$ 84,624</u>	<u>\$ 23,772</u>	<u>\$ 20,140</u>	<u>\$ 88,256</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General government	<u>\$ 16,227</u>

**6. Deferred Inflows of Resources:**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**7. Long-Term Debt:**

	<u>Balance 12/31/2019</u>	<u>Balance Increases</u>	<u>Balance Decreases</u>	<u>Balance 12/31/2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	<u>\$ 38,165</u>	<u>\$ 13,054</u>	<u>\$ 12,462</u>	<u>\$ 38,757</u>	<u>\$ 12,000</u>

Compensated Absences is comprised of annual leave and sick leave earned by the employee. Upon termination, employees are entitled to receive compensation for their accrued balances.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 8. Leases:

The District has a lease agreement with Nordby Rentals for office space. The District pays \$13,054 annually until the agreement expires April 1, 2023.

The District has a lease agreement with Nordby Rentals for storage sheds. The District pays \$1,560 annually and the agreement automatically renews every year.

Minimum lease payments for the operating leases at December 31, 2020 are as follows:

2021	\$ 14,614
2022	\$ 14,614
2023	\$ 4,823
2024	\$ 1,560
2025	\$ 1,560

#### 9. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the District managed its risks as follows:

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

Unemployment Benefits – The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

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

Workers' Compensation – The District purchases liability insurance for workers' compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.



**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

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**10. Reversionary Interest:**

The State of South Dakota has the power to, at any time, dissolve the District. In that event, all assets become property of the State.

**11. State Grant Funds:**

The District sponsors grant funds from the South Dakota Department of Environment and Natural Resources. The following is a list of state-sponsored funds and cash disbursements made.

	<u>Original Grant</u>	<u>Prior Years Grant Disbursements</u>	<u>Current Year Disbursements</u>	<u>Grant Balance 12/31/2020</u>
South Central Watershed Project	\$ 6,168,537	\$ 3,496,656	\$ 1,032,458	\$ 1,639,423

**12. Pension Plan:**

a. Plan Information:

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

b. Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members. Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum or age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 12. Pension Plan: (continued)

##### b. Benefits Provided: (continued)

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

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

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

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

##### c. 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. The District's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017 were \$19,316, \$18,607, and \$18,997, respectively, equal to the required contributions each year.

**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

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**12. Pension Plan: (continued)**

- d. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources to Pensions:

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension (asset). The proportionate share of the components of the net pension (asset) of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2020 and reported by the District as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 1,778,932
Less proportionate share of net position restricted for pension benefits	\$ 1,779,560
Proportionate share of net pension (asset)	<u>\$ (628)</u>

At December 31, 2020, the District reported an (asset) of (\$628) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was .01447110% which is an increase of -.0000675% from its proportion measured as of June 30, 2019.

**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

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**12. Pension Plan: (continued)**

- d. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources to Pensions: (continued)

For the year ended December 31, 2020, the District recognized pension expense of \$27,401. At December 31, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 2,404	\$ 492
Changes in assumption	20,244	81,644
Net difference between projected and actual earnings on pension plan investments	58,413	--
Changes in proportion and difference between District contributions and proportionate share of contributions	2,708	1,023
District contributions subsequent to the measurement date	<u>9,564</u>	<u>--</u>
<b>Total</b>	<u><u>\$ 93,333</u></u>	<u><u>\$ 83,159</u></u>

\$9,564 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31,	
2021	\$ (6,971)
2022	(4,598)
2023	1,278
2024	<u>10,901</u>
Total	<u><u>\$ 610</u></u>

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### 12. Pension Plan: (continued)

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of plan investment expense
Future COLAs	1.41%

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58.0%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

**James River Water Development District**

Notes to the Financial Statements

December 31, 2020

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**12. Pension Plan: (continued)**

f. Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. 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 from 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).

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District's proportionate share of the net pension liability (asset)	\$ 244,807	\$ (628)	\$ (200,572)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

## James River Water Development District

### Notes to the Financial Statements

December 31, 2020

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#### **13. Recently Issued Accounting Standards:**

In 2020, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which expand disclosure requirements for certain types of debt. The Implementation of this standard had no effect on the financial statements.

In 2020, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard had no effect on the financial statements, as the District has no custodial funds.

#### **14. Risks and Uncertainties:**

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the District. The District is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**Required Supplementary Information  
other than MD&A**



**James River Water Development District**  
 Budgetary Comparison Schedule - General Fund  
 December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget- Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,018,088	\$ 1,018,088	\$ 1,004,746	\$ (13,342)
Prior years' ad valorem taxes	--	--	7,146	7,146
Other taxes	15,000	15,000	16,793	1,793
Penalties and interest on taxes	1,000	1,000	3,088	2,088
Revenue from Local Governmental Units other than LEAs	--	--	220	220
Earnings on Investments and Deposits	500	500	395	(105)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	--	--	1,032,458	1,032,458
Total Revenue	<u>1,034,588</u>	<u>1,034,588</u>	<u>2,064,846</u>	<u>1,030,258</u>
<b>Expenditures:</b>				
General				
Board of directors	40,836	40,836	16,731	24,105
Administration and technical assistance	298,614	298,614	290,924	7,690
Professional fees	8,000	8,000	10,294	(2,294)
Project assistance	627,394	627,394	1,124,335	(496,941)
State grant fund expenditures	--	--	568,641	(568,641)
Debt Services	29,744	29,744	--	29,744
Contingency	30,000	30,000	--	30,000
Total Expenditures	<u>1,034,588</u>	<u>1,034,588</u>	<u>2,010,925</u>	<u>(976,337)</u>
Excess of Revenue Over Expenditures	--	--	53,921	53,921
Other Financing Sources (Uses)				
Sale of surplus property	--	--	27,236	27,236
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>27,236</u>	<u>27,236</u>
Net Change in Fund Balance	--	--	81,157	81,157
Fund Balance - Beginning	<u>1,211,665</u>	<u>1,211,665</u>	<u>1,211,665</u>	<u>--</u>
Fund Balance - Ending	<u>\$ 1,211,665</u>	<u>\$ 1,211,665</u>	<u>\$ 1,292,822</u>	<u>\$ 81,157</u>

**James River Water Development District**  
Notes to the Required Supplementary Information  
December 31, 2020

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**1. Budgets and Budgetary Accounting:**

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total district budget and may be transferred by resolution of the board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
- f. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.
- g. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- h. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**2. GAAP/Budgetary Accounting Basis Differences:**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

**James River Water Development District**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset)  
South Dakota Retirement System  
December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0144711%	0.0145386%	0.0152620%	0.0155454%	0.0127744%	0.0100390%
District's proportionate share of net pension liability (asset)	\$ (628)	\$ (1,541)	\$ (356)	\$ (1,411)	\$ 43,151	\$ (42,578)
District's covered-employee payroll	\$ 317,598	\$ 309,120	\$ 314,700	\$ 315,856	\$ 240,267	\$ 183,290
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	17.96%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

\*\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**James River Water Development District**  
Schedule of Water District Contributions  
South Dakota Retirement System  
December 31, 2020

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required	\$ 19,316	\$ 18,607	\$ 18,997	\$ 18,972	\$ 16,821	\$ 12,126
Contributions in relation to the contractually required	<u>19,316</u>	<u>18,607</u>	<u>18,997</u>	<u>18,972</u>	<u>16,821</u>	<u>12,126</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee	\$ 321,936	\$ 310,120	\$ 316,620	\$ 316,200	\$ 280,356	\$ 202,107
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.15%	6.00%	6.00%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**James River Water Development District**  
Notes to Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension  
Liability (Asset) and Schedule of Pension Contributions  
December 31, 2020

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**Changes from Prior Valuation:**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

**Benefit Provision Changes:**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes:**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes:**

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