METRO COMMUNICATIONS AGENCY

Sioux Falls, South Dakota

A Component Unit of the City of Sioux Falls, South Dakota

Financial Statements

Year Ended December 31, 2023

First to Serve

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
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Independent Auditor's Report

To the Metro Management Council
Metro Communications Agency
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities and general fund of Metro Communications Agency (the Agency), a component unit of the City of Sioux Falls, South Dakota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Agency, as of December 31, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Agency as of December 31, 2023, and the changes in financial position for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Metro Communications Agency, 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 qualified and unmodified audit opinions.

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Matter Giving Rise to Qualified Opinion on the Governmental Activities

Management has elected not to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for their single employer postemployment benefit plan. Accounting principles generally accepted in the United States of America require recognition and measurement of an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses associated with other post-employment benefits (OPEB). The standard also requires certain note disclosures and required supplementary information (RSI) about the OPEB plan. The amounts by which the departure would affect net position, assets, liabilities, deferred outflows of resources and deferred inflows of resources, expenses, disclosures and RSI are not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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 Metro Communications Agency'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 GAAS 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 GAAS 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 Metro Communications Agency'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 Metro Communications Agency'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, Budgetary Comparison information, Schedule of Employer's Share of Net Pension Liability (Asset) and Schedule of Employer's Contributions 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 GAAS, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 April 9, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Sioux Falls, South Dakota
April 9, 2024

As management of Metro Communications Agency (the "Agency"), a component unit of the City of Sioux Falls, South Dakota (the "City"), we are providing the readers of these financial statements this narrative overview and analysis of financial activities of the Agency for the fiscal year ended December 31, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources at the close of the fiscal year by $4,550,735.
- At the end of the current fiscal year, total unrestricted net position was $2,128,593.

Overview – This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The statements consist of 1) government-wide financial statement; 2) fund financial statements and 3) notes to the financial statements.

Government-wide financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Agency's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The governmental activities of the Agency are considered general government activities. The government-wide financial statements report all activities of the Agency. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency has a single governmental fund.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency has a single fund, the General Fund.

The Agency adopts an annual budget for the General Fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget. Required supplementary information can be found on pages 34-35 of this report.

The basic governmental fund financial statements can be found beginning on page 15 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the Agency financial statements. The notes to the financial statements begin on page 17 of this report.

The following schedules reflect condensed financial information for the Agency.

Condensed Statement of Net Position

	2022	2023
Assets	$ 3,385,258	$ 5,388,593
Deferred Outflows of Resources - Pensions	1,244,273	1,118,024
Liabilities		
Current Liabilities	987,552	1,044,689
Long-Term Liabilities	172,239	168,879
Total Liabilities	1,159,791	1,213,568
Deferred Inflows of Resources - Pensions	801,264	742,314
Net Position		
Net Investment in Capital Assets	817,340	2,407,564
Restricted	456,649	14,578
Unrestricted	1,394,487	2,128,593
Total Net Position	$ 2,668,476	$ 4,550,735

Total Agency's Assets increased, in large part to a significant increase in Cash and Construction in Progress (CIP), offset by a significant reduction in Due from State and Other Local Governments, reflective of contributions of revenue for operating expenses and CIP of capital assets recognized in 2023 for the new PSAP the agency will occupy in January 2024. Much of this increase is for the purchase of the balance of the radio system equipment for consoles in the new PSAP, along with console and office furniture, and audio-visual system.

Total Liabilities increased, while Deferred Inflows of Resources decreased, during the current fiscal year. The increase in Total Liabilities is attributable in great part to the CIP recognized in 2023 but remaining unpaid as of year-end, accrued wages and related payables, and accrued sick and vacation leave liabilities.

At the end of the current fiscal year, both Unrestricted Net Position and Total Net Position increased. Investment in Capital Assets increased by $1,590,224 due to the addition of various equipment and furniture received during the year but not put into full service. Restricted assets decreased for SDRS Pension Purposes for GASB 68.

Condensed Statement of Activities

	2022	2023
Revenues		
Charges for Services	$ 194,551	$ 182,395
Operating Grants and Contributions	3,334,328	4,585,212
General Revenues	2,808,466	2,952,088
Total Revenues	6,337,345	7,719,695
Expenses - General Government	5,291,563	5,837,436
Revenues Over (Under) Expenses	1,045,782	1,882,259
Net Position, January 1	1,622,694	2,668,476
Net Position, December 31	$ 2,668,476	$ 4,550,735

Net Position increased during the current fiscal year due to increases from general revenues and operating contributions.

Total revenues increased by $1,382,350 during the current fiscal year. This is due in great part to increased 911 subscriber growth, City and County Support, and local funding grants and contributions.

Total expenses increased $545,873 during the current fiscal year. This is due to a significant increase in GASB 68 pension liabilities, depreciation, personnel expenses and supplies, and small equipment purchased in preparation for occupying the new Public Safety Training Facility.

The Agency's primary source of funding comes from E911 surcharges. South Dakota Codified Law (SDCL) gives county government the authority to assess these surcharges. In July, 2012 legislative changes were implemented which increased the surcharge per subscriber from $.75 to $1.25 per line per month through mid-year 2012. At the same time the State began collecting all surcharges for lines within the State of South Dakota. 2017 legislation extended this increase to mid-year 2018, and 2018 legislation repealed the scheduled sunset, maintaining the $1.25 per line per month subscriber fee indefinitely. Local fees remained the same throughout 2023, with approximately $.86 per line is remitted monthly to each County for subscribers residing in the county while another 26% of the remaining approximately $.375, commonly referred to as incentive funds, is remitted to 11 PSAPs across the state who meet eligibility requirements. Minnehaha County remits the surcharges received monthly from the State of SD to the Agency as the Public Safety Answering Point (PSAP) for the County and the City. MCA is also one of the11 PSAPs across the state which meets the requirements for receipt of incentive funding. The formula for distribution of incentive funds remained the same throughout 2023 and utilizes population. The legislation includes provision for revising the populations used in this calculation based on census updates during years ending in a "5". The census update for 2015 was completed mid-year 2016, increasing the agency's share from 32.15% to 33.33% of this statewide portion, net of fees. The census update for 2020 was completed mid-year

2021, increasing the agency's share from 33.33% to 35.69% of this statewide portion, net of fees. This share will remain unchanged now until the census update for 2025, unless other share for any of the eligible PSAPs across the state change. This type of change is not currently anticipated.

Surcharge revenues for the year totaled $2,846,110. This was $62,454 greater than 2022 revenues, and $25.120 more than budgeted for 2023. The increase in actual revenues is largely reflective of subscriber growth within Minnehaha County and the City of Sioux Falls within Lincoln County. Due to the 2020 census adjustments for incentive shares in July of 2021, agency funds from incentives began to better reflect the increased growth within our subscriber area. During 2023, trends reflected an increase in subscribers statewide, with a similar share of this grown in the agency's direct subscribers. 2023 was the tenth full year of remittances under the new legislation. As is common, some of these revenues are for prior year adjustments. Remittances by category of subscriber continues to shift from land lines to wireless and VoIP subscribers, along with a smaller growth in wireless subscribers.

Secondary to surcharges is the City and County support of the Agency. City and County share for the year totaled $2,791,752, an increase of 8% from 2022. The individual percentage of contribution was City 75% and County 25%.

Service revenue totals for the year was $173,922. This was $35,916 more than 2022 revenues, and $5,710 less than budgeted for 2023. The majority of the increase from 2022 is due to an increased PSAP Service fee assessed to the City of Brandon for providing dispatch services for their police department, along with growth in EMS Transfers. The shortfall in comparison of 2023 actual to budgeted service revenues is due to the reconciled adjustment in PSAP service fees assessed to the City of Brandon based on actual 2023 revenues and expenditures. 2023 budgeted amounts were based on 2020 annual activity, along with the first several months of 2022, available at the time the 2023 budget was projected.

Contributions of Revenue totaled $1,793,460. These are local funding dollars from the City of Sioux Falls and State of SD 911 Coordination Board, used for equipment and CIP for the new PSAP facility.

Personnel expenditures totaled $4,814,111 for the year. This was $343,700 less than budgeted and resulted in great part to no employee insurance premium increases and staffing vacancies which reduced regular salaries, temp staffing costs, retirement, payroll taxes and insurance premiums, offset by increased overtime costs.

Operating expenditures for the year totaled $919,915. This was $17,952 less than budgeted and is due in great part to decreased training and travel along with dispatch communications costs savings, utilities and contract services, offset by increased costs for small equipment and supplies for the new Public Safety Training Facility.

Capital Assets and Debt Administration –The investment in capital assets for the governmental activities as of December 31, 2023, amounted to $827,768 (net of accumulated depreciation and amortization) in equipment.

The Agency's investment in capital assets net of accumulated depreciation and amortization, increased by $1,579,547 in the current fiscal year. This increase is primarily due to an increase in equipment and furniture purchased with the help of local contributions. Total equipment purchased and in construction in progress at year-end was $2,275,833.

Additional information on capital assets can be found in Note 2 in the Notes to the Financial Statements.

Lease Liabilities – Application of GASB 87 was implemented in the year-ended December 31, 2022, making the Agency subject to Right-to-Use Liabilities for long-term leases entered into. Upon review of Right-to-Use Liabilities at year end in 2023 and considering the jointly approved transition of Metro from a stand alone agency to an office within the City of Sioux Falls effective January 1, 2024, no leases were identified as liabilities for the Agency at December 31, 2023.

Future Highlights – Although E911 surcharges remain a significant source of revenue, the Agency is in a strong financial position because of support from the City and County.

With centralized E911 surcharge collection by the South Dakota Department of Revenue, the agency initially no longer received individual provider specific data. This changed mid-year 2018 when legislation provided additional resources and details to more effectively monitor subscriber fluctuations. The agency continues to receive statistics by type of provider: landline, wireless and VoIP. The agency continues to track and monitor these statistics monthly, along with the additional provider details, and any concerns are presented to the state for resolution. It continues to be logical to expect these revenues to increase with local population growth from locations outside the City of Sioux Falls and Minnehaha County, while recognizing the agency's share of incentive funds are adjusted for this growth only every 5 years, as described above. It is also logical to expect the development of technology to affect type of subscribers, along with subscriber shift between competing providers.

As the City of Sioux Falls grows, accurate surcharge remittance within city limits remains a concern. Subscriber growth relative to net population increase, new provider identification, verification of accurate collections and remittance both by provider and subscriber remain a concern and priority for ongoing review.

Recognizing the importance of E911 surcharges to the funding of 911 communications services, SD lawmakers passed legislation in 2024 amending SDCL 34-45-4, temporarily increasing the 911 surcharge fee from $1.25 to $2.00 per monthly subscriber and evaluating all current PSAPs throughout the state for their capability to adequately and efficiently administer systems, along with other criteria and standards.

The percentage of surcharge remittance, as described earlier, remains the same under this amendment. The temporary increase in per line surcharge fee begins July 1, 2024 and expires on July 1, 2026.

911 surcharges remain insufficient to support the entire agency's budget. While the temporary increase in 911 surcharges will provide short term relief, continued support from the City and County is necessary to maintain the health of the Agency.

During 2023, Minnehaha County began investigating and planning a significant upgrade to rural fire and ambulance paging across the county. This new technology and advanced communication will ultimately result in transfer of existing tower site equipment, buildings, and related agreements to the County for its effective implementation.

In October 2023, the City of Sioux Falls and Minnehaha County entered into a new Joint Cooperative Agreement (JCA) for Emergency Communications Services effective January 1, 2024. While the new JCA continues the consolidation of PSAP services for the City of Sioux Falls and Minnehaha County, the Metro Management Council is replaced by a Metro Management Executive Board, and the Agency ceases as a standalone entity as of December 31, 2023, and instead shall be deemed to be an office within the City of Sioux Falls, with the City becoming the successor employer of Agency employees. In addition, the JCA transfers to the City all assets, agreements, and rights currently owned or overseen by the Agency, including 911 surcharges which will be deposited into a separate Special Revenue Fund for Emergency Communications. Additional support, if needed remains 75% City and 25% County. As such, this 2023 Financial Report will be the final report as an independent Agency.

Component Unit – Metro Communications Agency is a component unit of the City of Sioux Falls in calendar year 2023. A complete copy of this audit report can be obtained at the administrative office.

Request for Information – This report is designed to provide an overview of the Agency's finances for those with an interest in this area. Questions concerning any of the information presented in this report or requests for additional financial information should be directed to Metro Communications Agency, c/o City of Sioux Falls Finance, 224 W Ninth Street, Po Box 7402, Sioux Falls, South Dakota 57117.

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

Assets	
Cash and Cash Equivalents	$ 2,270,013
Receivables	49,048
Due From State	189,455
Due From Other Local Governments	414,398
Prepaid Items	43,537
Net Pension Asset	14,578
Capital Assets	
Machinery and Equipment, net	131,731
Construction in Progress	2,275,833
Total Assets	5,388,593
Deferred Outflows of Resources	
Pension Related Deferred Outflows	1,118,024
Liabilities	
Accounts Payable and Other Accrued Liabilities	873,063
Long-term Liabilities:	
Due Within One Year	171,626
Due In More Than One Year	168,879
Total Liabilities	1,213,568
Deferred Inflows of Resources	
Pension Related Deferred Inflows	742,314
Net Position	
Net Investment in Capital Assets	2,407,564
Restricted for:	
SDRS Pension Purposes	14,578
Unrestricted	2,128,593
Total Net Position	$ 4,550,735

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

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		Program Revenue		Net Expense (Revenue) and Changes in Net Position
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Total Primary Government**
Function				
Primary Government				
Governmental Activities				
General Government	$ 5,837,436	$ 182,395	$ 4,585,212	$ (1,069,829)
General Revenues:				
Taxes:				
E-911 Surcharges				2,846,110
Unrestricted Investment Earnings				105,651
Miscellaneous Revenue				327
Change in Net Position				1,882,259
Net Position - Beginning				2,668,476
Net Position - Ending				$ 4,550,735

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

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
GENERAL FUND BALANCE SHEET
DECEMBER 31, 2023

Assets	
Cash & Cash Equivalents (Note 2)	$ 2,270,013
Accounts Receivable (Note 2)	49,048
Due From State	189,455
Due From Other Local Govt	414,398
Prepaid Items	43,537
Total Assets	$ 2,966,451
Liabilities and Fund Balance	
Liabilities	
Accounts Payable (Note 2)	$ 780,507
Accruals (Note 2)	92,556
Total Liabilities	873,063
Fund Balances	
Nonspendable - Prepaid Items	43,537
Unassigned	2,049,851
Total Fund Balance	2,093,388
Total Liabilities and Fund Balance	$ 2,966,451

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total Fund Balances for Governmental Funds		$ 2,093,388
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-Depreciable Capital Assets	$ 2,275,833	
Depreciable Capital Assets	2,453,117	
Accumulated Depreciation	(2,321,386)	2,407,564
Net pension asset (liability) and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Deferred Outflows of Resources	1,118,024	
Net Pension Asset (Liability)	14,578	
Deferred Inflows of Resources	(742,314)	390,288
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Compensated Absences		(340,505)
Net Position of Governmental Activities		$ 4,550,735

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

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

Revenues		
E911 Surcharges	$	2,846,110
City/County Share		2,791,752
Services		173,922
Contributions		1,793,460
Other Revenue		114,124
Total Revenues		7,719,368
Expenditures		
Operating		5,734,026
Capital Outlay		1,612,672
Total Expenditures		7,346,698
Net Change in Fund Balance		372,670
Fund Balance, January 1		1,720,718
Fund Balance, December 31	$	2,093,388

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds			$	372,670
Amounts reported for governmental activities in the Statement of activities are different because:				
Governmental funds report capital outlays and leases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization expense exceeded capital outlay in the current period.				
Expenditures for Capital Assets	$	1,612,672		
Less Current Year Depreciation		(22,697)		1,589,975
Payment of long-term capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabillities in the Statement of Net Assets.				
Gain on disposal of long term leases				327
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				
Pension Related Deferred Outflows and Inflows		(67,298)		
Increase in Compensated Absences		(14,352)		(81,650)
A negative net pension obligation should be reported as an asset in the government-wide statement of net position. Conversely, a negative net pension obligation is not considered to represent a financial asset; therefore, it is not properly reported in a governmental fund. The government-wide statement of net activities reports the change in the net pension obligation asset from year to year.				
Increase in Net Pension Asset				937
Change in Net Position of Governmental Activities			$	1,882,259

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

Note 1 – The Organization

The Agency was formed in 1980 under a Joint Cooperative Agreement for Communication Services between the City of Sioux Falls, SD (the "City") and Minnehaha County, SD (the "County"), as authorized by SDCL 1-24 et.seq. and SDCL 34-48-3. The Agency was created for the single purpose of serving as the consolidated PSAP for all users within the City and County.

Beginning in 2007, steps were taken to establish the agency as a separate legal entity and a component unit of the City. This process was completed effective January 1, 2008. Although the current joint agreement expired December 31, 2012, it includes an automatic renewal year to year thereafter, and the agency continues to operate under this agreement. A supplement was agreed to and adopted by the City and County on October 2, 2020, and amended December, 2021, to set forth the terms and conditions under which the City and the County would construct, operate and maintain a PSAP within the City's Public Safety Training Facility (PSTF) for their common use, originally estimated occupancy date in the fall of 2023. As of December 31, 2023 the Agency had not yet moved to the PSTF, pending resolution of technology struggles preventing effective delivery of 911 services at the PSTF. On October 24, 2023 a new Joint Cooperative Agreement (JCA) for Emergency Services was adopted by the City and County, superseding previous joint agreements, while continuing the consolidation of PSAP services for all users within the City and County. See Note 8 for further information on the new PSTF and JCA.

The Agency operates under the direction and supervision of the Metro Management Council (the "MMC") to plan, organize, control and manage all communications systems used by the County and City for the provision of emergency services. The MMC approves operational policies governing the day-to-day operations of the Agency. The MMC consists of five members, the Mayor of the City, two members of the Sioux Falls City Council appointed by the Mayor, and two members of the Minnehaha County Board of Commissioners appointed by the Commission Chair. The MMC has broad discretion to oversee and control the operations of the Agency and meets at least bimonthly.

The Agency is headed by a Director of Communications (the "Director"), who is appointed at will by the MMC. The Director appoints the Deputy Director and Business Manager upon the advice and with the consent of the MMC.

A user's committee (the "Committee") exists to provide input and address concerns regarding the operation of the Agency. The Committee consists of the County Sheriff (who chairs the Committee), the City Chief of Police, the City Fire and Rescue Chief, the Brandon, South Dakota Chief of Police, a representative from Rural Metro Ambulance, a representative from the County Ambulance Association, a representative from the County Fire Chief's Association, a representative from the South Dakota Air National Guard Fire Department, the County Emergency Management Director and the City Emergency Management Coordinator. The Committee meets at least quarterly and the Chairman attends all MMC meetings as the official liaison from the Committee, and has input regarding all actions of the MMC. As an ex-officio member of the MMC the Chairman does not vote on any matters requiring MMC action.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – Fund Accounting – The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Agency uses the Governmental Fund Type – General Fund. The General Fund is the only fund used and is the operating fund, accounting for all activity of the Agency.

Reporting Entity – As required by accounting principles generally accepted in the United States of America, these financial statements include all funds that are controlled by, or financially dependent on, the Agency. There are no separate organizations for which the Agency is financially accountable.

Metro Communications Agency is a component unit of the City of Sioux Falls, South Dakota. The Mayor serves as chairperson of the MMC. The budget of the Agency must be approved by joint action of the city and county.

Basic Financial Statements (GASB 34) - The basic financial statements are prepared in conformity with GASB Statement No. 34 and presented on both the government-wide and fund financial level. As a single type fund, both the government-wide and fund financial statements categorize all Agency activities as governmental.

The **Government-wide Financial Statements**, consisting of the statement of net position and the statement of activities, report information on all activities of the Agency.

The statement of activities demonstrates the degree to which the direct expenses of the Agency are offset by program revenues. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods and services of the Agency, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Agency.

Fund Financial Statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Because the Agency uses only one fund, the General fund, there is a single financial statement for all Agency activities. Because the Agency serves a single activity, all funds are reported in a single column in the fund financial statements.

Financial Statements Presentation – The financial transactions of the Agency are recorded in a single fund. The fund is accounted for by providing a single set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The fund is reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Agency has just a single major fund reported in its financial statements.

The government reports the following **major governmental fund:**

The **General Fund** is the government's only operating fund. It accounts for all financial resources of the Agency. Revenue sources include 911 surcharges, support from the City and County, and charges for goods and services. Since the Agency serves a single purpose with a single fund, all expenditures are for general government purposes.

Other governmental (non-major) funds is a compilation of all of the non-major governmental funds. These include additional special revenue, capital projects, and permanent funds. There are no other non-major funds.

Measurement Focus and Basis of Accounting – Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This focus concentrates on the fund's net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus concentrates on the fund's resources available for spending currently or in the near future. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. However, 911 surcharge receivables are estimated regardless of their collection date following the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for certain debt service and compensated absences.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then, unrestricted resources as they are needed.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Cash - The Agency deposits cash with First Premier Bank in Sioux Falls, South Dakota. The funds on deposit with First Premier Bank are available on demand.

Accounts Receivable – This classification consists of Audio Requests, and miscellaneous expense reimbursements. Accounts receivables are recorded net of estimated uncollectible amounts and are expected to be collected within one year. As of December 31, 2023, the Agency had an accounts receivable balance of $49,048 and no allowance was considered necessary.

Accounts Payable, Accruals and other Liabilities – Accounts payable represent amounts due to vendors for goods and services provided/incurred by December 31, 2023. As of December 31, 2023, $780,506 was the amount due to vendors for accounts payable.

Accruals include amounts due to employees for services provided, along with associated payroll taxes and benefits, and also sales tax payable. As of December 31, 2023, $92,555 was the amount due to vendors and employees for payroll related accruals.

Long-term Obligations — In the government-wide financial statements, long-term debt, right to use leases and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, the face amount of debt and leases issued is reported as other financing sources.

Compensated Absences – It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

The accumulation of unused vacation time is limited based on employee classification. Upon separation, the Agency will reimburse the employee for all accumulated but unused vacation.

The amount of unused sick leave accumulation is not limited. After 16 years of employment or upon separation in good standing, the Agency will reimburse one-third of the accumulated but unused sick leave up to a maximum of 320 hours. In the event of the death of the employee, all unused and accrued sick leave, up to 960 hours, will be paid to the employee's estate.

All compensated absences are accrued when incurred in the government-wide financial statements. Vacation and sick leave accruals are recognized as a long-term liability.

Fund Equity - The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance—amounts constrained to specific purposes by the Agency itself, using its highest level of decision-making authority (i.e., MMC). To be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest level action to remove or change the constraint.

- Assigned fund balance—amounts the Agency intends to use for a specific purpose. Intent can be expressed by the MMC or by an official or body to which the MMC delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Agency's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and 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. Agency contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Capital Assets – Capital assets include all land, and buildings, machinery, equipment, and other tangible or intangible assets used in operations which have an initial cost of greater than $5,000 and initial useful lives extending beyond a single reporting period. Additions or improvements that significantly add value to an asset such as extending the useful life of an asset or increasing its capacity or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Capital assets and improvements are capitalized and recorded as projects are purchased and constructed. Donated capital assets are recorded at acquisition value. The Agency chose to include all assets transferred from the County upon the creation of the Agency at the value, acquisition date, useful life, and accumulated depreciation as established by the County.

Land is not depreciated. All other capital assets are depreciated using the straight line method over the following estimated useful lives:

> Small equipment items like computers, radio, phone systems and furniture and fixtures = 10 years
>
> Larger equipment = 10-50 years, depending upon the type of equipment

Right-to-use leased assets are recognized at the lease commencement date and represent the Agency's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period of current leased items is three years.

The following illustrates capital assets and right-to-use leased assets and estimated depreciation and accumulated amortization that are reported for the year ended December 31, 2023:

Governmental Activities	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Non-Depreciable Assets				
Construction in Progress	$ 663,161	$1,612,672	$ -	$2,275,833
Depreciable Assets				
Equipment	2,453,117	-	-	2,453,117
Totals at Historical Cost	3,116,278	1,612,672	-	4,728,950
Accumulated Depreciation				
Equipment	(2,298,689)	(22,697)	-	(2,321,386)
Total Accumulated Depreciation	(2,298,689)	(22,697)	-	(2,321,386)
Governmental Activities Capital Assets, Net	$ 817,589	$1,589,975	$ -	$2,407,564
Right-to-Use Leased Assets Being Amortized				
Right-to-Use Leased Equipment	17,031	-	(17,031)	-
Totals at Historical Cost	17,031	-	(17,031)	-
Accumulated Amortization				
Right-to-Use Leased Equipment	(6,852)	-	6,852	-
Total Accumulated Amortization	(6,852)	-	6,852	-
Net Right-to-Use Leased Assets	10,179	-	(10,179)	-
Governmental Activities Capital Assets, Net	$ 827,768	$1,589,975	$ (10,179)	$2,407,564

Long-Term Obligations – The following is a summary of changes in long-term liabilities, including the current portion, of Agency for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Right-To-Use Leases	$ 10,428	$ -	$ (10,428)	$ -	$ -
Accrued Compensated Absences	326,153	344,952	(330,600)	340,505	171,626
Government Type activities, Long-term liabilities	$ 336,581	$ 344,952	$ (341,028)	$ 340,505	$ 171,626

Accrued compensated absences consist of unused vacation and sick pay benefits as discussed in Note 2 to the financial statements.

Note 3 – Deposits and Investments

All of the Agency's deposits are held by First Premier Bank. The custodial credit risk for deposits is the risk that, in the event of the failure of this financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Agency's deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

As of December 31, 2023, the deposits of the Agency were $2,218,810. No depository fell below the 100 percent of pledged collateral required as of December 31, 2023.

Investment Policy - The Agency has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, including SDCL 4-5-6, which serves as the guide to the deposit and investment of operating funds.

State law (SDCL 4-5-6) sets forth eligible deposits and investments for the Agency. Allowable deposits and investments include:
a. Securities issued by the United States Treasury
b. Securities issued by government-sponsored enterprises (GSE's) or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. Agencies).
c. Mutual and money market funds that invest in (a) or (b)
d. Repurchase agreements fully collateralized by (a) or (b)
e. Certificates of Deposits (100% collateralized)
f. Deposit and Savings Accounts (100% collateralized)

Cash and cash equivalents (i.e. demand deposits, and term investments with original maturities of three months or less from the date of acquisition) are considered to be cash on hand, and the Agency shall pool all excess cash for investment.

Note 4 – Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employee; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in local government risk pool insurance programs.

The Agency maintains errors and omissions (general liability) for all of its employees with coverage amounts equal to the highest limits maintained by either the City or

County. Both the City and the County are identified as additional named insureds. In addition, the Agency maintains property, casualty, and workers' compensation coverage as determined by the MMC.

The Agency joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Agency'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 Agency. The Agency pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Agency pays an annual premium to the pool to provide coverage for:

a. Government General Liability
b. Law Enforcement 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 agency reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet in the prior year financial statements.

The Agency carries a $ -0- deductible for the General Liability coverage and $5,000 deductible for the Law Enforcement Liability coverage.

The Agency 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.

Employees were provided health coverage by Wellmark BlueCross BlueShield of South Dakota and dental coverage by Principal in 2023. These programs are funded by employer and employee contributions. In addition, employees have the opportunity to participate in several supplemental insurance policies, such as vision and cancer insurance, funded solely by employee contributions.

The Agency is a member of the South Dakota Municipal League Workers Compensation Fund to provide benefits to workers injured on the job. This is a Pool Arrangement for public agencies within the State of South Dakota. The Agency pays an annual premium to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $500,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits. The Agency's liability coverage under this program is $2,000,000 combined single limit of liability. Statutory benefits include medical, disability, rehabilitation, and death benefits.

The Agency provides term life insurance in the amount of $15,000 to eligible employees through Guardian Life Insurance Company, at no cost to the employees. In addition, employees may purchase additional life insurance, funded solely by employee contributions.

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

During the year ended December 31, 2023, one claim was filed resulting in the payment of benefits. There were $2,571 in benefits paid in 2023. As of December 31, 2023, one new claim was filed and one remained outstanding. However $1,950 of the benefits paid in 2018 were to an individual later determined to be ineligible and subject to recovery by the South Dakota Department of Labor and Regulation on behalf of the agency. This item remains classified as a receivable on the Agency's balance sheet. As of December 31, 2023, $1,722.75 in recoveries had been received towards this overpayment of benefits, reducing the balance due to $227.25. Unemployment compensation is charged as a current expenditure when it is incurred.

Note 5 – Pension and Deferred Compensation Plan

Plan Information - All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide 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://sdrs.sd.gov/publications.aspx 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.

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

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

Legislation enacted in 2021 reduced the minimum COLA from 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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent 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 Agency's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021 were $223,055, $216,542, and $195,815, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions - At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Agency as of the measurement period ending June 30, 2023 and reported by the Agency as of December 31, 2023 are as follows:

Proportionate share of pension liability	$ 21,643,009
Less proportionate share of net pension restricted for pension benefits	(21,657,587)
Proportionate share of net pension liability (asset)	$ (14,578)

At December 31, 2023, the Agency reported an asset of $14,578 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension asset used to calculate the net pension asset was based on a projection of the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Agency's proportion was 0.14935800 percent, which is an increase of 0.0050350 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Agency recognized a pension expense of $66,360. At December 31, 2023, the Agency 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
Difference between expected and actual experience.	$ 413,221	$ -
Changes in assumption.	498,402	728,553
Net Difference between projected and actual earnings on pension plan investments.	97,055	-
Changes in proportion and difference between Agency contributions and proportionate share of contributions.	4	13,761
Agency contributions subsequent to the measurement date.	109,343	-
TOTAL	$ 1,118,024	$ 742,314

$109,343 reported as deferred outflow of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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 December 31:	
2024	$ 193,487
2025	(225,440)
2026	278,739
2027	19,582
2028	--
TOTAL	$ 266,368

Actuarial Assumptions - The total pension asset in the June 30, 2023, 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% net of pension plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

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 percent of rates above age 65
- Other Class A Retirees: PubG-2010, 93 percent of rates through age 74, increasing by 2 percent per year until 111 percent of rates at 83 and above
- Public Safety Retirees: PubS-2010, 102 percent of rates at all ages

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members

- Public Safety: PubS-2010 disable member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

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 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, 2023 (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
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100%	

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).

Sensitivity of liability (asset) to changes in the discount rate - The following presents the Agency's proportionate share of net pension liability/(asset) calculated using the discount rate of 6.50 percent, as well as what the Agency'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 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Agency's proportionate share of the net pension liability (asset)	$ 2,987,980	$ (14,578)	$ (2,470,098)

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

Supplemental Retirement Plan - IRC Section 457 Plan – All full-time employees are eligible to enroll in the Supplemental Retirement Plan (SRP), a tax deferred savings plan offered by the South Dakota Retirement System (SDRS). All costs of administering the plan are the responsibility of plan participants. No costs were incurred by the Agency.

All public employers who participate in the SDRS may offer the SRP to their employees. This benefit is available to all employees of state and local government, higher education, and school districts covered under the SDRS. The minimum deferral is $25 per month.

Note 7 – Related Organizations

The City and County jointly provide support for the operation of the Agency. The support provided is a calculation of funds needed for operations after consideration of estimated revenues from other sources. The City's share of support is 75% while the County's share is 25%. In 2023 the total support received was $2,791,752, of which the City provided $2,093,815 and the county provided $697,937.

Several departments within the City and County have historically purchased Audio Request services from the Agency. In 2023, the City did not purchase any Audio

Request services from the Agency. County purchases of Audio Request services for the same period totaled $10,190.

In 2023, the Agency paid the County $62,824 for services provided by the Agency (Information Technology services and building rent). During the same period the City billed the Agency $515,792 for services provided the Agency (mileage for vehicle use. CAD software maintenance, oversight of emergency medical dispatch protocol, partner agency staffing bill-back, and PSTF bill-back for furniture, monitors, and audio-visual system).

Note 8 – Commitments and Contingencies

Collective Bargaining Agreements – The following classifications of staff were governed by a collective bargaining agreement between the Agency and AFSCME Local 2561-A (later changed to AFSCME Local 3516): Communications Operator, Advanced Communications Operator, and Shift Supervisor. During 2020, a new 3 year contract was negotiated covering the period of January 1, 2021 through December 31, 2023. During 2022, modifications to Article 4, Wages for a 5.25% COLA in 2023 were negotiated following written request by the Union in December 2021, as allowed under Article 37 Term of the current contract.

PSAP to be located within City's New Public Safety Training Facility – As of December 31, 2023 the Agency committed to or purchased $2,610,272 in FF&E to be located within the City's Public Safety Training Facility. This commitment included the 2023 purchase, under the State of South Dakota Proposal, of $1,520,816 for PSAP radio dispatch equipment, reduced by $42,311 in equipment returns. All radio equipment had been received by the Agency but $185,811 remained unbilled. In addition, the Agency purchased $797,328 in 911 center consoles, recorder, and audio-visual system, and $334,439 in Operating Expense equipment. An additional $84,863 will be used for the purchase of FF&E to also be located within the City's Public Safety Training Facility. Funding for the total purchases includes $463,744 through the State of SD 911 Coordination Board (net of equipment return credits $7,563), along with Agency funding of $81,391, and $2,150,000 provided to the Agency by the City pursuant to the October 2, 2021 agreement, and related amendments, as referenced in Note 1.

Joint Cooperative Agreement for Emergency Services – December 31, 2023 was the last day the Agency operated as independent organization. The JCA adopted in October 2023 becomes effective January 1, 2024 and replaces the Metro Management Council with a Metro Management Executive Board, while the Agency transitions at that time to an office within the City of Sioux Falls as, with the City becoming the successor employer of Agency employees. At the same time, all assets, agreements, and rights currently owned or overseen by the Agency, including 911 surcharges which will be deposited into a separate Special Revenue Fund for Emergency Communications will be transferred to the City. Additional support, if needed remains 75% City and 25% County. In effect, this 2023 audit report will be the final report for the Agency.

Other financial considerations to the City of Sioux Falls as a result of this JCA include assumption of prepaid expenses, uncollected accounts receivable, unpaid accounts payable, unpaid accrued wages, and CIP for the PSTF which became functional and was occupied on January 24, 2024.

METRO COMMUNICATIONS AGENCY,
A COMPONENT UNIT OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
E911 Surcharges	$ 2,760,990	$ 2,820,990	$ 2,846,110	$ 25,120
City/County Share	2,791,752	2,791,752	2,791,752	-
Services	163,632	179,632	173,922	(5,710)
Other Revenue	342,779	2,887,779	1,907,584	(980,195)
Total Revenues	6,059,153	8,680,153	7,719,368	(960,785)
Expenditures				
Personnel	5,357,811	5,157,811	4,814,111	343,700
Operating	616,867	937,867	919,915	17,952
Capital Oulay	25,000	2,525,000	1,612,672	912,328
Total Expenditures	5,999,678	8,620,678	7,346,698	1,273,980
Net Change in Fund Balances	$ 59,475	$ 59,475	$ 372,670	$ 313,195

The Schedule – The Budgetary Comparison Schedule presents comparisons of the original and legally amended budget with actual amounts for the Agency.

The budget is adopted on a basis consistent with generally accepted accounting principles except for bad debt expense, compensated absences, increases in SDPAA, and the reporting of capital outlay and debt service expenditures. The Agency does not budget for bad debt expense within the governmental funds. The Agency budgets for compensated absences only to the extent they are expected to be paid rather than on the modified accrual method. The Agency budgets for debt service and capital outlay functions whereas they are reported separately within the financial statements.

The Agency may apply a portion of the prior years' fund balance, reported as net change in fund balance in the budget column, to the current year's budget as an offset to revenue. The original budget is the budget as originally adopted by the joint meeting of City Council and County Commission. The final budget is the original budget as adjusted by carry-forwards and/or as supplemented by the MMC according to the joint agreement.

Summary of Significant Budget Policies – The joint agreement requires the MMC to submit an annual budget to the City and the County no later than May 15th of each calendar year. The budget must be approved by joint action of the City and County by October 1st of each calendar year.

A single budget is adopted and appropriated for the Agency, using 4 major expenditure categories (Personnel, Operating, Debt Service, and Capital) as the legal level of control.

The total of proposed expenditures shall not exceed the total of estimated income plus the fund balance carried forward, exclusive of reserves. If, during the year, the MMC certifies that there are available for appropriation revenues in excess of those estimated in the budget, the MMC may approve supplemental appropriations for the year up to the amount of the excess. There were neither carry-forwards nor supplemental appropriations in 2023. There was one budget amendment in 2023, increasing Capital Outlay by $2,500,000 and Operating expenditures by $321,000, supported through increased revenues of $2,621,000, reduction in Personnel expenditures of $200,000 and no change in use of Cash. These amendments were approved by the MMC at their regular August, 2023 council meeting.

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended or carried forward.

Budget Compliance – There were no violations of the annual appropriated budget for the fiscal year ending December 31, 2023.

Schedule of Employer's Share of Net Pension Asset and Schedule of Employer's Contributions as required by Statement No. 68 of the GASB – Pension for Employers

	Measurement Date 12/31/23	Measurement Date 12/31/22	Measurement Date 12/31/21	Measurement Date 12/31/20	Measurement Date 12/31/19	Measurement Date 12/31/18	Measurement Date 12/31/17	Measurement Date 12/31/16	Measurement Date 12/31/15
Contractually required contribution	$ 223,055	$ 216,542	$ 195,815	$ 197,046	$ 177,520	$ 174,988	$ 165,742	$ 153,960	$ 144,888
Contributions in relation to the contractually required contribution	$ 223,055	$ 216,542	$ 195,815	$ 197,046	$ 177,520	$ 174,988	$ 165,742	$ 153,960	$ 144,888
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agency's covered payroll	$ 3,717,589	$ 3,609,019	$ 3,263,578	$ 3,284,104	$ 2,956,162	$ 2,918,977	$ 2,762,369	$ 2,565,996	$ 2,414,808
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.01%	5.99%	6.00%	6.00%	6.00%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

Schedule of the Agency's Proportionate Share of the Net Pension Liability (Asset) as required by Statement No. 68 of the GASB – Pension for Employers

	Measurement Date 06/30/23	Measurement Date 06/30/22	Measurement Date 06/30/21	Measurement Date 06/30/20	Measurement Date 06/30/19	Measurement Date 06/30/18	Measurement Date 06/30/17	Measurement Date 06/30/16	Measurement Date 06/30/15
Agency's proportion of the net pension liability (asset)	0.1493580%	0.1443230%	0.1407410%	0.1403351%	0.1361589%	0.1369656%	0.1317940%	0.1307742%	0.1282538%
Agency's proportionate share of net pension liability (asset)	$ (14,115)	$ (13,639)	$ (1,077,835)	$ (6,095)	$ (14,429)	$ (3,194)	$ (11,960)	$ 441,742	$ (543,961)
Agency's covered payroll	$ 3,852,473	$ 3,446,214	$ 3,193,872	$ 3,079,936	$ 2,895,021	$ 2,847,389	$ 2,677,784	$ 2,486,665	$ 2,341,559
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.37%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.10%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.
* 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.

Changes from Prior Valuation – The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes – During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety Members.

Actuarial Method Changes – No changes in actuarial methods were made since the prior valuation.

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% 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, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

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

To the Metro Management Council
Metro Communications Agency
Sioux Falls, 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 and general fund of Metro Communications Agency (the "Agency"), as of and for the year then ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements and have issued our report thereon dated April 9, 2024.

In our report our opinion on the financial statements was qualified, as discussed in the "Basis for Qualified and Unmodified Opinions" section of the report on the financial statements. Management did not obtain an actuarial valuation for the other postemployment benefits (OPEB) liability and therefore did not record an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses associated with OPEB, as well as certain note disclosures and required supplementary information (RSI) about the OPEB plan.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 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 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 communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Eide Bailly LLP

Sioux Falls, South Dakota
April 9, 2024