

PLANNING AND DEVELOPMENT DISTRICT III

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

DECEMBER 31, 2023

PLANNING AND DEVELOPMENT DISTRICT III

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Planning and Development District III
Yankton, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and the major fund of the **PLANNING AND DEVELOPMENT DISTRICT III (the District)**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and the major fund of the District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 schedule of the District's proportionate share of net pension liability/(asset) and the schedule of the District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, on our consideration of the District'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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2024

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government	Total Component Units
ASSETS		
Cash and cash equivalents	\$ 498,822	\$ 1,691,071
Certificates of deposit	750,000	55,010
Accounts receivable, less allowance of \$-0-	135,462	-
Due from other governments	122,107	-
Accrued interest receivable	4,299	23,352
Due from component unit	28,677	-
Prepaid expenses	43,688	483
Promise to give, less allowance of \$-0-	100,000	-
Notes receivable, net of allowance for loan losses of \$180,793	1,166,545	8,344,667
Net pension asset	3,699	-
Restricted assets:		
Cash and cash equivalents	-	70,133
Capital Assets:		
Capital assets, not being depreciated	24,189	-
Capital assets, being depreciated, net	<u>165,037</u>	<u>-</u>
 Total Assets	 <u>3,042,525</u>	 <u>10,184,716</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>290,612</u>	<u>-</u>
LIABILITIES		
Accounts payable	11,933	-
Due to primary government	-	28,677
Interest payable	-	1,833
Revenue received in advance:		
Dues	9,474	-
Fees for service	81,900	-
Assets held on behalf of others	-	315,695
Long-term liabilities:		
Portion due or payable within one year:		
Notes payable	-	71,646
Leases payable	6,765	-
Compensated absences	100,379	-
Portion due or payable after one year:		
Notes payable	-	722,761
Leases payable	<u>10,667</u>	<u>-</u>
 Total Liabilities	 <u>221,118</u>	 <u>1,140,612</u>
DEFERRED INFLOWS OF RESOURCES		
Promise to give related to future periods	100,000	-
Pension related deferred inflows	<u>184,992</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u>284,992</u>	 <u>-</u>
NET POSITION		
Net investment in capital assets	171,794	-
Restricted for:		
SDRS pension	109,319	-
Loan and loan commitments	-	9,038,420
Unrestricted	<u>2,545,914</u>	<u>5,684</u>
 Total Net Position	 <u>\$ 2,827,027</u>	 <u>\$ 9,044,104</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues		Net Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Units
Primary government:					
Governmental activities:					
General government	\$ 1,502,080	\$ 1,950,145	\$ 466,720	\$ 914,785	
Total Primary Government	<u>\$ 1,502,080</u>	<u>\$ 1,950,145</u>	<u>\$ 466,720</u>	914,785	
Total Component Units	<u>\$ 189,009</u>	<u>\$ 298,545</u>	<u>\$ -</u>		\$ 109,536
General revenues:					
Unrestricted investment earnings				<u>42,361</u>	<u>26,503</u>
Change in net position				957,146	136,039
Net position, beginning				<u>1,869,881</u>	<u>8,908,065</u>
Net position, ending				<u>\$ 2,827,027</u>	<u>\$ 9,044,104</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 498,822
Certificates of deposits	750,000
Notes receivable, net of allowance for loan losses of \$1,702	1,166,545
Accounts receivable, less allowance of \$-0-	135,462
Due from other governments	122,107
Due from component unit	28,677
Accrued interest receivable	4,299
Prepaid expenses	43,688
Promise to give, less allowance of \$-0-	<u>100,000</u>
Total Assets	<u>\$ 2,849,600</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 11,933
Revenue received in advance:	
Dues	9,474
Fees for service	<u>81,900</u>
Total Liabilities	<u>103,307</u>
Deferred Inflows of Resources:	
Promise to give related to future periods	<u>100,000</u>
Fund Balances:	
Nonspendable:	
Prepaid expenses	43,688
Unassigned	<u>2,602,605</u>
Total Fund Balances	<u>2,646,293</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,849,600</u>

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

PLANNING AND DEVELOPMENT DISTRICT III
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total fund balances for governmental fund		\$ 2,646,293
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension liability (asset) reported in governmental activities is not a spendable financial resource and therefore is not reported in the funds		3,699
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 24,189	
Building and improvements, net of \$123,061 accumulated depreciation	128,239	
Equipment, net of \$103,365 accumulated depreciation	8,127	
Vehicles, net of \$47,617 accumulated depreciation	11,239	
Intangible lease assets, net of \$15,776 accumulated depreciation	<u>17,432</u>	189,226
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds		290,612
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at December 31, 2023 are:		
Compensated absences	(100,379)	
Lease payable	<u>(17,432)</u>	(117,811)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds		<u>(184,992)</u>
Total net position of governmental activities		<u>\$ 2,827,027</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>
REVENUES	
Operating Grants and Contracts:	
From federal agencies	
Grants:	
Department of Commerce	\$ 75,956
Small Business Administration	139,000
Department of Defense	44,039
State funding	203,225
Local funding	4,500
Charges for Goods and Services:	
Fees for services	1,542,181
Local dues	305,426
Component unit fees	102,538
General Revenue:	
Interest income	<u>42,361</u>
Total Revenues	<u>2,459,226</u>
EXPENDITURES	
General Government:	
Personnel	1,008,604
Employee benefits and payroll taxes	243,234
Consulting	54,992
Equipment	4,410
Professional fees	39,346
Occupancy	30,965
Travel and vehicle	29,792
Materials and supplies	18,222
Insurance	10,958
Advertising	251
Postage	3,098
Miscellaneous	1,310
Closing fees	877
Loan loss provision	1,702
Principal	6,500
Interest	839
Capital outlay	<u>1,028</u>
Total Expenditures	<u>1,456,128</u>
Net change in fund balances	1,003,098
Fund Balances, Beginning of Year	<u>1,643,195</u>
Fund Balances, End of Year	<u>\$ 2,646,293</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

**RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Change in fund balances - total governmental fund	\$ 1,003,098
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$25,714) exceeded capital outlay (\$1,028) in the current period.	(24,686)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change in compensated absences.	(2,836)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(18,430)</u>
Change in net position of governmental activities	<u>\$ 957,146</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2023

	Areawide Business Council, Inc.	Prairieland Housing Development	Total Component Units
ASSETS			
Cash and cash equivalents	\$ 1,690,877	\$ 194	\$ 1,691,071
Certificates of deposit	55,010	-	55,010
Accrued interest receivable	23,352	-	23,352
Prepaid expense	483	-	483
Restricted assets:			
Cash and cash equivalents	70,133	-	70,133
Notes receivable, net of allowance for loan losses of \$179,091	<u>8,344,667</u>	<u>-</u>	<u>8,344,667</u>
Total Assets	<u>10,184,522</u>	<u>194</u>	<u>10,184,716</u>
LIABILITIES			
Due to primary government	28,677	-	28,677
Interest payable	1,833	-	1,833
Assets held for others	315,695	-	315,695
Long-term liabilities			
Portion due or payable within one year:			
Notes payable	71,646	-	71,646
Portion due or payable after one year:			
Notes payable	<u>722,761</u>	<u>-</u>	<u>722,761</u>
Total Liabilities	<u>1,140,612</u>	<u>-</u>	<u>1,140,612</u>
NET POSITION			
Restricted:			
Loans and loan commitments	9,038,420	-	9,038,420
Unrestricted	<u>5,490</u>	<u>194</u>	<u>5,684</u>
Total Net Position	<u>\$ 9,043,910</u>	<u>\$ 194</u>	<u>\$ 9,044,104</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2023

	Areawide Business Council, Inc.	Prairieland Housing Development	Total Component Units
OPERATING REVENUES			
Interest and fee income - loans	\$ 298,545	\$ -	\$ 298,545
Total Operating Revenues	<u>298,545</u>	<u>-</u>	<u>298,545</u>
OPERATING EXPENSES			
Payments to primary government	112,197	-	112,197
Loan loss provision	40,874	-	40,874
Professional fees	12,195	-	12,195
Insurance	9,187	-	9,187
Honorariums	3,193	-	3,193
Travel	2,268	-	2,268
Miscellaneous	677	10	687
Total Operating Expenses	<u>180,591</u>	<u>10</u>	<u>180,601</u>
Operating income	<u>117,954</u>	<u>(10)</u>	<u>117,944</u>
NONOPERATING (EXPENSES) REVENUES			
Interest expense	(8,408)	-	(8,408)
Interest income - savings	26,503	-	26,503
Total Nonoperating (Expenses) Revenues	<u>18,095</u>	<u>-</u>	<u>18,095</u>
Change in net position	136,049	(10)	136,039
Net Position, beginning of year	<u>8,907,861</u>	<u>204</u>	<u>8,908,065</u>
Net Position, end of year	<u>\$ 9,043,910</u>	<u>\$ 194</u>	<u>\$ 9,044,104</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

STATEMENT OF CASH FLOWS
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2023

	<u>Areawide Business Council, Inc.</u>	<u>Prairieland Housing Development</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 295,147	\$ -	\$ 295,147
Payments to others for goods and services	<u>(128,193)</u>	<u>(10)</u>	<u>(128,203)</u>
Net cash provided by (used in) operating activities	<u>166,954</u>	<u>(10)</u>	<u>166,944</u>
CASH FLOWS USED IN CAPITAL FINANCING ACTIVITIES			
Interest payments on long-term debt	(8,654)	-	(8,654)
Principal payments on long-term debt	<u>(70,941)</u>	<u>-</u>	<u>(70,941)</u>
Net cash provided by (used in) capital financing activities	<u>(79,595)</u>	<u>-</u>	<u>(79,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income on deposits	26,503	-	26,503
Advances made on notes receivable	(1,476,895)	-	(1,476,895)
Payments received on notes receivable	1,224,677	-	1,224,677
Proceeds of sale of certificates of deposit	<u>349,990</u>	<u>-</u>	<u>349,990</u>
Net cash provided by (used in) investing activities	<u>124,275</u>	<u>-</u>	<u>124,275</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	211,634	(10)	211,624
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	<u>1,549,376</u>	<u>204</u>	<u>1,549,580</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 1,761,010</u>	<u>\$ 194</u>	<u>\$ 1,761,204</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 117,954	\$ (10)	\$ 117,944
Adjustments to reconcile operating income to net cash provided by operating activities:			
Loan loss provision	40,874	-	40,874
Change in operating assets and liabilities:			
(Increase) decrease in:			
Interest receivable	(3,398)	-	(3,398)
Prepaid expense	514	-	514
(Decrease) Increase in:			
Assets held for others	3,895	-	3,895
Payable to primary government	<u>7,115</u>	<u>-</u>	<u>7,115</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 166,954</u>	<u>\$ (10)</u>	<u>\$ 166,944</u>
Cash and Cash Equivalents Consists of:			
Cash and cash equivalents	\$ 1,690,877	\$ 194	\$ 1,691,071
Restricted cash and cash equivalents	<u>70,133</u>	<u>-</u>	<u>70,133</u>
	<u>\$ 1,761,010</u>	<u>\$ 194</u>	<u>\$ 1,761,204</u>

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

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Planning and Development District III (the District) is a special purpose government district established under Executive Order 70-7 by the State of South Dakota's governor's office and is governed by an elected eight-member executive board. The District service area includes 15 counties in South Central South Dakota. Its mission is to provide comprehensive development assistance to its membership and the private sector. The District offers a full range of services that help the region maintain public services and expand economic opportunities.

Component Units

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

Discretely Presented Component Units

Component units not meeting the criteria for blending with the primary government are discretely presented in the financial statements. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the District's primary government to emphasize that they are legally separate from the District.

The component unit column in the financial statements includes the financial data of the District's component units: Areawide Business Council, Inc. (ABC), a non-profit organization, and Prairieland Housing Development (PHD), a non-profit organization.

ABC was established in 1982 to promote and assist the growth and development of business and industrial opportunity by use of a revolving loan program as a long-term capital lender in fourteen designated counties in South Dakota. The Revolving Loan Fund program is subject to the rules and regulations of the Department of Commerce, which includes the provision, that a non-funded allowance for loan losses is permitted.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reporting Entity, continued

Discretely Presented Component Units, continued

The Intermediary Relending Program is subject to the rules and regulations of the Department of Agriculture, which include the provision, that an allowance for loan losses is permitted. A cash reserve for loan losses is initially set at 4.5 percent of the original loan balance.

PHD was incorporated in 2004, as an entity to assist in providing affordable housing in small towns in the District's service area. The housing will be sold to persons meeting the income and asset limits set by the South Dakota Housing Development Authority.

The component units do not issue separate financial statements.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the primary government and discretely presented component units. The primary government consists solely of governmental activities generally financed through intergovernmental revenues and other non-exchange transactions.

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

The Statement of Activities presents a comparison between direct expenses of a given function and program revenues. 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 1) charges paid by the recipients of goods or services offered by the programs and 2) 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 are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District and its component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

Fund Financial Statements:

Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The District presently has no proprietary or fiduciary funds.

An emphasis is placed on major funds within a governmental category. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5% of the corresponding total for all governmental and proprietary funds combined, or
- Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

All of the District's activities are accounted for within the General Fund, which is a governmental fund type. The GASB sets forth minimum criteria for the determination of major funds. As all activities are accounted for within this fund, it is presented as a major governmental fund described as follows:

General Fund – the General Fund is the main operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, both the governmental and component unit activities are presented using the economic resources measurement focus applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. A 60-day availability period is used for recognition of governmental fund revenues. The revenues accrued at December 31, 2023, consist primarily of amounts due from other governments and accounts receivable.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Fund Financial Statements, continued:

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 revenue received in advance or deferred inflows of financial resources 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.

Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

Cash Restricted for Loan Reserve

The Intermediary Relending Program requires ABC to establish a restricted interest bearing cash account for a loan reserve in the amount of 4.5% of the installment notes receivable balance. ABC is in compliance for the year ended December 31, 2023.

Fair Value of Financial Instruments

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

Notes Receivable

Notes receivable in the primary government and in the component unit consist of revolving loan funds that are generally not expected or scheduled to be collected in the subsequent year.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Expenses/expenditures are recognized on the consumption method.

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 or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Government-wide Financial Statements, continued:

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Accumulated depreciation is reported on the government-wide statement of net position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Buildings and improvements	\$ 5,000	Straight-line	20-40 years
Equipment	\$ 5,000	Straight-line	3-15 years
Vehicles	\$ 5,000	Straight-line	3-5 years
Intangible leased asset	\$ 5,000	Straight-line	3-20 years

Land is an inexhaustible capital asset and is not depreciated.

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. No depreciation expense is recognized.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual leave balances. Full time permanent employees and part-time permanent employees working 20 hours or more per week are granted vacation leave and sick leave benefits in prorated amounts to specified maximums. Employees are entitled to all accrued vacation leave upon termination. Employees will receive 25% of accrued sick leave balance, or \$3,000, whichever is smaller, upon termination.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities typically consist of notes payable and 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.

Long-Term Liabilities – Leases Payable

The District is a lessee for a cancellable lease of a copier. The District recognizes a lease liability and an intangible right-to-use lease asset (intangible lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities – Leases Payable, continued

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Intangible lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement 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, the pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The District's contributions and net pension asset are recognized on the accrual basis of accounting.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and fund balance sheet may report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources (expenses) until the applicable future period.

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

Program Revenues

In the government-wide statement of activities, reported 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:

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Program Revenues, continued

1. Charges for services – member dues - All member governments are required to pay dues to the District in order to belong to the organization and receive membership services. Dues are determined by census results and are recognized as revenues in the period they are due.
2. Charges for services – other contract revenues - These are program specific revenues from other than federal, state and member sources.
3. Program-specific operating grants and contributions – These are program specific operating grants arising from mandatory and voluntary non-exchange transactions with other governments which fund the District's programs. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the providers have been met. Such revenue is subject to review by the funding agency. Minor adjustments may result in subsequent periods.

Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 positions are available.

Fund Balance Classification Policies and 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:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or due to constitutional provisions or enabling legislation.
3. 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.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Directors.
5. 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 uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and *lastly unassigned amounts* of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes - Component Units

The component units are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is made in these financial statements.

Indirect Costs

The District employs the use of an indirect cost plan, which is prepared annually. The plan allocates overhead/indirect costs based on that plan. Direct costs are charged against each project as costs are paid. Costs benefiting future periods are capitalized and amortized to expense utilizing the indirect cost plan. Indirect costs are applied ratably to all activities of the District.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

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

Deposits – The District’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-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.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

2. DEPOSITS AND INVESTMENTS, continued

Investments – In general, SDCL 4-5-6 permits the 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The deposit policies of the primary government and its component units do not address custodial credit risk.

As of December 31, 2023, the District's deposits were fully insured or collateralized in local banks.

As of December 31, 2023, the component units' deposits were fully insured or collateralized in local banks.

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The District's investment policy does not address custodial credit risk. As of December 31, 2023, the District had no investments.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Typically, the longer the maturity of an investment, the more sensitive its fair value is to change due to changes in market interest rates. The deposit and investment policies of the District and component units do not limit maturities as a means of managing exposure to fair value losses arising from increasing interest rates. As of December 31, 2023, the District had no investments.

Credit Risk – State law limited eligible investments for the District as discussed above. The District's investment policy does not further limit its investment choices. As of December 31, 2023, the District had no investments.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. As of December 31, 2023, the District had no investments.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements.

Receivables are primarily due from various grants and programs. Management anticipates all receivables to be collected within one year; therefore, no allowance for doubtful accounts has been provided for these receivables.

4. DUE FROM OTHER GOVERNMENTS

Due from other governments as of December 31, 2023 consists of the following:

Due from other governments – primary government:

State of South Dakota	\$ 110,107
Department of Commerce	<u>12,000</u>
	<u>\$ 122,107</u>

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District does not anticipate any.

5. NOTES RECEIVABLE

Primary Government

The following is a summary of the notes receivable for the primary government:

	<u>Balance</u> <u>12/31/22</u>	<u>Advances</u>	<u>Payments</u>	<u>Write offs</u>	<u>Balance</u> <u>12/31/23</u>
Meat and Poultry Lending Program	\$ -	\$ 1,184,148	\$ (15,901)	\$ -	\$ 1,168,247
	<u>\$ -</u>	<u>\$ 1,184,148</u>	<u>\$ (15,901)</u>	<u>\$ -</u>	<u>\$ 1,168,247</u>
Allowance for loan losses	-				(1,702)
	<u>\$ -</u>				<u>\$ 1,166,545</u>

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

5. NOTES RECEIVABLE, continued

The following are maturities of long-term notes receivable for the primary government:

Year Ending December 31,	
2024	\$ 77,212
2025	81,472
2026	83,950
2027	86,503
2028	649,048
Thereafter	190,062
	<u>\$ 1,168,247</u>

An analysis of the change in the allowance for loan losses for the component unit is as follows:

Beginning balance	\$ -
Provision for loan losses	1,702
	<u>\$ 1,702</u>

Component Unit (ABC)

The following is a summary of the notes receivable for the component unit:

	Balance 12/31/22	Advances	Payments	Write offs	Balance 12/31/23
Revolving Loan Fund	\$ 7,124,621	\$ 1,336,895	\$ (1,000,282)	\$ -	\$ 7,461,234
Intermediary Relending Program	1,146,919	140,000	(224,395)	-	1,062,524
	<u>\$ 8,271,540</u>	<u>\$ 1,476,895</u>	<u>\$ (1,224,677)</u>	<u>\$ -</u>	<u>\$ 8,523,758</u>
Allowance for loan losses	(138,217)				(179,091)
	<u>\$ 8,133,323</u>				<u>\$ 8,344,667</u>

The following are maturities of long-term notes receivable for the component unit:

Year Ending December 31,	
2024	\$ 1,145,937
2025	1,632,226
2026	2,767,577
2027	1,304,256
2028	1,445,879
Thereafter	227,883
	<u>\$ 8,523,758</u>

PLANNING AND DEVELOPMENT DISTRICT III

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. NOTES RECEIVABLE, continued

Component Unit (ABC), continued

An analysis of the change in the allowance for loan losses for the component unit is as follows:

Beginning balance	\$	138,217
Provision for loan losses		<u>40,874</u>
	\$	<u><u>179,091</u></u>

6. PROMISE TO GIVE

In a prior year, the District received a conditional promise to be used as a regional revolving loan fund that is administered by the District's component unit, ABC. During the year ended December 31, 2023, the District did not receive any cash on conditional promises to give.

Promise receivable in less than one year	\$	-
Promise receivable in one to five years		60,000
Promise receivable in more than five years		<u>40,000</u>
	\$	<u><u>100,000</u></u>

The outstanding balance of \$100,000 is offset by a deferred inflow of resources at December 31, 2023.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

7. CHANGES IN CAPITAL ASSETS

Primary Government

A summary of changes in the primary government's capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities:				
<i>Capital assets not being depreciated/amortized:</i>				
Land	\$ 24,189	\$ -	\$ -	\$ 24,189
Total capital assets not being depreciated/amortized	24,189	-	-	24,189
<i>Capital assets being depreciated/amortized:</i>				
Buildings and improvements	251,300	-	-	251,300
Equipment	131,053	1,028	(20,589)	111,492
Vehicles	58,856	-	-	58,856
Intangible leased asset	33,208	-	-	33,208
Total capital assets being depreciated/amortized	474,417	1,028	(20,589)	454,856
<i>Less accumulated depreciation/amortization for:</i>				
Buildings and improvements	114,678	8,383	-	123,061
Equipment	115,196	8,758	(20,589)	103,365
Vehicles	39,044	8,573	-	47,617
Intangible leased asset	9,276	6,500	-	15,776
Total accumulated depreciation/amortization	278,194	32,214	(20,589)	289,819
Total capital assets being depreciated/amortized, net	196,223	(31,186)	-	165,037
Governmental activities capital assets, net	\$ 220,412	\$ (31,186)	\$ -	\$ 189,226

For the year ended December 31, 2023, depreciation/amortization expense of \$32,214 was charged to general government.

8. ASSETS HELD FOR OTHERS

The District holds and manages assets on behalf of three entities. Assets held for others at December 31, 2023 consist of the following:

Yankton Sioux Tribe	\$ 49,205
Wagner Area Growth	224,627
Aurora County	41,863
	\$ 315,695

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. LONG-TERM LIABILITIES

Primary Government:

A summary of changes, for the year ended December 31, 2023, in the primary government's long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 97,543	\$ 100,379	\$ (97,543)	\$ 100,379	\$ 100,379
Leases payable	<u>23,932</u>	<u>-</u>	<u>(6,500)</u>	<u>17,432</u>	<u>6,765</u>
Total	<u>\$ 121,475</u>	<u>\$ 100,379</u>	<u>\$ (104,043)</u>	<u>\$ 117,811</u>	<u>\$ 107,144</u>

The leases payable represents the District's liability for the lease of a copier from Xerox Financial Services. The lease requires monthly payments of \$612. A discount rate of 4% is applied to a 5-year maturity of the lease. Payments are made from the General Fund.

The annual requirements to amortize long-term liabilities outstanding as of December 31, 2023, except for compensated absences is as follows:

Year Ending December 31,	Leases Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,765	\$ 574	\$ 7,339
2025	7,040	299	7,339
2026	<u>3,627</u>	<u>42</u>	<u>3,669</u>
	<u>\$ 17,432</u>	<u>\$ 915</u>	<u>\$ 18,347</u>

Component Unit (ABC):

A summary of changes, for the year ended December 31, 2023, in the component unit's long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 865,348	\$ -	\$ (70,941)	\$ 794,407	\$ 71,646
Total	<u>\$ 865,348</u>	<u>\$ -</u>	<u>\$ (70,941)</u>	<u>\$ 794,407</u>	<u>\$ 71,646</u>

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. LONG-TERM LIABILITIES, continued

Component Unit (ABC), continued

The component unit's notes payable, as of December 31, 2023, are comprised of the following:

\$750,000 - Intermediary Relending Program #3, Dated October 16, 2006, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	\$ 386,206
\$750,000 - Intermediary Relending Program #2, Dated October 14, 2003, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	301,440
\$375,000 - Intermediary Relending Program #1, Dated August 1, 2000, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	<u>106,761</u>
Total Notes Payable - Component Unit	<u>\$ 794,407</u>

Debt service requirements on notes payable for the component unit, as of December 31, 2023, is as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 71,646	\$ 7,945	\$ 79,591
2025	72,363	7,228	79,591
2026	73,087	6,505	79,592
2027	73,817	5,774	79,591
2028	74,556	5,035	79,591
2029 - 2033	335,376	14,334	349,710
2034 - 2038	<u>93,562</u>	<u>1,879</u>	<u>95,441</u>
	<u>\$ 794,407</u>	<u>\$ 48,700</u>	<u>\$ 843,107</u>

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

10. PENSION 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.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

10. PENSION PLAN, continued

Benefits Provided, continued

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% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. PENSION PLAN, continued

Contributions, continued

The District's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 58,301
2022	\$ 57,387
2021	\$ 57,797

Pension Liabilities (Assets), Pension Expense, 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 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, 2023 and reported by the District as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 5,491,103
Less proportionate share of net pension restricted for pension benefits	<u>5,494,802</u>
Proportionate share of net pension liability (asset)	<u>\$ (3,699)</u>

At December 31, 2023, the District reported a liability (asset) of (\$3,699) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (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, 2023, the District's proportion was 0.03789400%, which is an increase (decrease) of (0.0014760%) from its proportion measured as of June 30, 2022.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. PENSION PLAN, continued

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

For the year ended December 31, 2023, the District recognized pension expense (reduction of pension expense) of \$18,430. At December 31, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows or Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 104,839	\$ -
Change in assumptions	126,451	184,843
Net difference between projected and actual earnings on pension plan investments	24,624	-
Change in proportion and difference between the District's contributions and proportionate share of contributions	5,957	149
District contributions subsequent to the measurement date	<u>28,741</u>	<u>-</u>
Total	<u>\$ 290,612</u>	<u>\$ 184,992</u>

\$28,741 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year ended December 31	
2024	\$ 52,408
2025	(53,926)
2026	72,924
2027	<u>5,473</u>
	<u>\$ 76,879</u>

PLANNING AND DEVELOPMENT DISTRICT III

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

10. PENSION PLAN, continued

Actuarial Assumptions

The total pension liability (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 plan investment expense. This is composed of an average inflation rate of 2.50 % and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

PLANNING AND DEVELOPMENT DISTRICT III

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

10. PENSION PLAN, continued

Actuarial Assumptions, continued

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
	<u>100%</u>	

Discount Rate

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

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. PENSION PLAN, continued

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension liability/(asset)	\$ 758,088	\$ (3,697)	\$ (626,695)

Pension Plan Fiduciary Net Position

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

11. COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023 may be impaired. In the opinion of management, any contingent liabilities relating to compliance with the rules and regulations governing the respective grants are immaterial. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

12. RESTRICTED NET POSITION

Restricted net position on the statement of net position consists of grantor restrictions of \$9,038,420 to be used to provide loans to recipients eligible to participate in the USDA Rural Development Intermediary Relending Programs and Economic Development Administration Revolving Loan Fund Program, as of December 31, 2023. Restricted net position also consists of \$109,319 related to the South Dakota Retirement System pension plan as described in Note 10.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

13. RELATED PARTY TRANSACTIONS

The District contributed \$52 to ABC during the year ended December 31, 2023.

ABC also paid management fees to the District of \$112,197 during the year ended December 31, 2023. At December 31, 2023, ABC owed the District \$28,677 in management fees for the fourth quarter of 2023.

14. 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, 2023, the District managed its risks as follows:

Employee Health Insurance

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

Property and Liability Insurance

The District purchases insurance coverage for its buildings and contents from a commercial insurance carrier. The deductible for this coverage varies from \$250 to \$1,000.

The District 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 District'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 District.

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

14. RISK MANAGEMENT, continued

Property and Liability Insurance, continued

The District pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based 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 District pays an annual premium to the pool to provide coverage for general liability, auto liability and damage, and errors and omissions of public officials.

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

Worker's Compensation

The District joined the South Dakota Municipal League Worker's Compensation Fund (Fund), 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 Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium, to provide worker's compensation coverage to its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date to the Fund Members. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

The District 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 over the past three years.

PLANNING AND DEVELOPMENT DISTRICT III

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

14. RISK MANAGEMENT, continued

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.

REQUIRED SUPPLEMENTARY INFORMATION

PLANNING AND DEVELOPMENT DISTRICT III

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY/(ASSET)

South Dakota Retirement System

	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>
District's proportion of the net pension liability (asset)	0.0382249%		0.0376811%		0.0365161%		0.0355187%		0.0362162%
District's proportionate share of net pension liability (asset)	\$ (275,395)	\$	(159,816)	\$	123,348	\$	(3,223)	\$	(845)
District's covered payroll	\$ 668,450	\$	704,529	\$	694,354	\$	721,666	\$	752,893
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-41.20%		22.68%		17.76%		0.45%		0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%		104.10%		96.89%		100.10%		100.02%
	<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2023</u>
District's proportion of the net pension liability (asset)	0.0361611%		0.0371023%		0.0423740%		0.0393700%		0.0378940%
District's proportionate share of net pension liability (asset)	\$ (3,833)	\$	(1,611)	\$	(324,512)	\$	(3,721)	\$	(3,699)
District's covered payroll	\$ 770,644	\$	814,285	\$	961,603	\$	940,105	\$	977,432
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.50%		0.20%		33.75%		0.40%		0.38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%		100.04%		105.52%		100.10%		100.10%

See Independent Auditor's Report

PLANNING AND DEVELOPMENT DISTRICT III

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 40,856	\$ 40,865	\$ 42,903	\$ 44,082	\$ 45,815
Contributions in relation to the contractually required contribution	<u>\$ 40,856</u>	<u>\$ 40,865</u>	<u>\$ 42,903</u>	<u>\$ 44,082</u>	<u>\$ 45,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 680,937	\$ 681,080	\$ 715,046	\$ 734,693	\$ 763,586
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 47,368	\$ 52,698	\$ 57,797	\$ 57,387	\$ 58,301
Contributions in relation to the contractually required contribution	<u>\$ 47,368</u>	<u>\$ 52,698</u>	<u>\$ 57,797</u>	<u>\$ 57,387</u>	<u>\$ 58,301</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 791,254	\$ 877,823	\$ 963,275	\$ 956,442	\$ 971,675
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

See Independent Auditor's Report

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2023

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.

SUPPLEMENTARY INFORMATION

PLANNING AND DEVELOPMENT DISTRICT III

SCHEDULE OF INDIRECT COSTS - PRIMARY GOVERNMENT
YEAR ENDED DECEMBER 31, 2023

Indirect Overhead Costs	
Salaries, payroll taxes and benefits	\$ 347,688
Supplies and postage	7,901
Travel	14,592
Equipment rent	10,093
Repairs and maintenance	7,923
Depreciation	14,482
Utilities	7,044
Consulting fees	3,567
Insurance	10,957
Professional fees	10,400
Telephone	10,228
Maintenance agreements	28,703
Miscellaneous expense	5,747
Small equipment	684
Advertising	251
Real estate taxes	<u>205</u>
Indirect Overhead Costs before Fringe Benefit Allocation	480,465
Fringe benefits	<u>81,321</u>
Total Indirect Overhead Costs	<u>\$ 561,786</u>
Fringe Benefits	
Retirement	\$ 63,337
Health insurance	86,937
Disability, life insurance	15,001
Employer's FICA	74,555
Unemployment tax	1,815
Worker's compensation insurance	<u>1,589</u>
Total Fringe Benefits Incurred	<u>\$ 243,234</u>
Summary	
Direct program costs before fringe benefit allocation	\$ 737,739
Indirect costs before fringe benefit allocation	480,465
Fringe benefits incurred	<u>243,234</u>
Total Direct, Indirect, and Fringe Benefits Cost	<u>\$ 1,461,438</u>

See Independent Auditor's Report

PLANNING AND DEVELOPMENT DISTRICT III

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

<u>FEDERAL FUNDING/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures/ Disbursements</u>
Primary Government:			
<u>U.S Department of Commerce</u>			
Direct Funding:			
Economic Development Support for Planning Organizations	11.302		\$ <u>75,956</u>
Total U.S. Department of Commerce			<u>75,956</u>
 <u>Small Business Administration</u>			
Passed through the University of South Dakota:			
Small Business Development Centers	59.037	A00-0322-S018	<u>139,000</u>
 <u>U.S. Department of Defense</u>			
Passed through the University of South Dakota:			
Procurement Technical Assistance for Business Firms PTAC Grant	12.002	A00-0423-S006	<u>44,039</u>
Total Federal Funding - Primary Government			<u>258,995</u>
 Component Unit:			
<u>U.S Department of Agriculture</u>			
Direct Funding:			
Intermediary Relending Program	10.767		865,348
Meat and Poultry Intermediary Lending Program	10.382		<u>1,193,238</u>
 <u>U.S Department of Commerce</u>			
Direct Funding:			
Economic Development Cluster:			
Disaster	11.307		\$ 682,796
Opportunity	11.307		371,426
CARES	11.307		<u>3,892,751</u>
Total Federal Funding - Component Unit			<u>7,005,559</u>
Total Federal Funding			<u>\$ 7,264,554</u>

See Independent Auditor's Report

PLANNING AND DEVELOPMENT DISTRICT III

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Note 1:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2:

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

Note 3:

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed by Uniform Guidance. Indirect costs are based on actual expenditures determined in accordance with the guidelines established by the grantor agency.

Note 4:

The federal loan programs listed subsequently are administered directly by the District, and balances and transactions relating to these programs are included in the District's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2023, consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2023
10.767	Intermediary Relending Program	\$865,348

Note 5:

The District has an Economic Development Agency Revolving Loan Fund that was funded by three individual grants issued by the Department of Commerce in previous years. In 2014, three individual revolving loan fund grants were consolidated into one revolving loan fund. The amount of federal award that is included in the federal expenditures is presented in the Schedule.

	<u>RLF - Disaster</u>	<u>RLF -Opportunity</u>	<u>RLF CARES</u>	<u>Total</u>
Balances of notes receivable at December 31, 2023	\$ 828,823	\$ 613,867	\$ 3,516,748	\$ 4,959,438
Cash balance at December 31, 2023	68,604	117,514	316,369	502,487
Administration expenses paid during fiscal year 2023	12,967	11,470	59,634	84,071
Balance of loans written off - current year	-	-	-	-
Total expenditures	<u>910,394</u>	<u>742,851</u>	<u>3,892,751</u>	<u>5,545,996</u>
Federal share percentage	<u>75.00%</u>	<u>50%</u>	<u>100%</u>	
Federal share included as expenditure in the schedule	<u>\$ 682,796</u>	<u>\$ 371,426</u>	<u>\$ 3,892,751</u>	<u>\$ 4,946,973</u>

See Independent Auditor's Report



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

To the Board of Directors
Planning and Development District III
Yankton, 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, the aggregate discretely presented component units, and the major fund of the Planning and Development District III (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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 or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 matter of public record and its distribution is not limited.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2024

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

To the Board of Directors
Planning and Development District III
Yankton, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Planning & Development District III's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Uhlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 25, 2024

PLANNING AND DEVELOPMENT DISTRICT III
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023

SECTION II. FINDINGS - FINANCIAL STATEMENTS

None reported.

SECTION III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None reported.

PLANNING AND DEVELOPMENT DISTRICT III

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

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

Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200-516(a) _____ yes X no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.382	Meat and Poultry Intermediary Relending Program
10.767	Intermediary Relending Program

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

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

PLANNING AND DEVELOPMENT DISTRICT III
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

SECTION II. FINDINGS - FINANCIAL STATEMENTS

There are no financial statement audit findings.

SECTION III. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

There are no major federal award program findings.