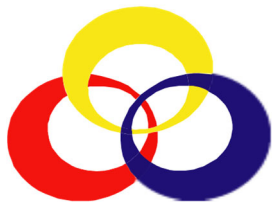


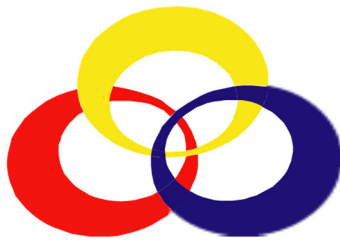
Randall Community Water District
Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2022



Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks & Investments

Randall Community Water District
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Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Randall Community Water District
Lake Andes, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Randall Community Water District, Lake Andes, South Dakota, as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Randall Community Water District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Randall Community Water District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 misstatements, 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 management's discussion and analysis on pages 4-8 and the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and Schedule of District Contributions on pages 26-27 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

November 9, 2023

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Our discussion and analysis of Randall Community Water District's financial performance provides an overview of the Water District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the Water District's financial statements, which begin on page 9.

Financial Highlights

- During 2022, the Water District's net capital assets increased by \$7,646,406, or 16.5% as a result of water system improvements, equipment purchases & disposals, and depreciation expense.
- For the 2022 fiscal year, water sales for the District were \$5,145,307, an increase of \$4,755, or less than 1% from 2021, while operating expenses were \$5,674,023, an increase of \$362,854, or 6.8%.
- The Water District had an increase of \$1,454,091 in net position in the 2022 fiscal year, largely due to debt forgiveness of \$2,263,000.
- Before depreciation expense, the district had an increase of net position of \$3,467,819.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (on pages 9 through 11) provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances.

Reporting the Water District as a Whole

One of the most important questions asked about the Water District's finances is, "Is the Water District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Water District's net position and changes in them. You can think of the Water District's net position - the difference between assets and liabilities - as one way to measure the Water District's financial health, or financial position. Over time, increases or decreases in the Water District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Water District's water revenue base and the condition of the Water District's water distribution system, to assess the overall health of the Water District.

In the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, the Water District only has one type of activity.

- Business-type activities – The Water District charges a fee to customers to help it cover all of the cost of operating the water distribution system.

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Reporting the Water District's Significant Funds

Because the Water District only has one fund (a proprietary fund), no fund statements were presented in the financial reports. The proprietary fund uses the following approach in its financial statement presentation.

- Proprietary funds – When the Water District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position.

The Water District as a Whole

The Water District's combined net position changed from 2021 to 2022 – increasing from \$24.8 million to \$26.2 million, for a \$1.4 million, or 5.9% increase in net position. Our analysis below will focus on the net position (Table 1) and changes in net position (Table 2) of the Water District's business-type activities.

Table 1

Net Position	Business-type Activities	
	2022	2021
Current and other assets	\$ 2,874,420	\$ 3,373,932
Restricted assets	277,687	271,707
Net pension asset & deferred outflows	533,019	962,322
Capital assets	54,035,494	46,389,087
Right of Use Asset	861,508	-
Total assets	\$ 58,582,129	\$ 50,997,048
Long-term debt outstanding	21,166,748	20,199,818
Deferred inflows	347,910	817,865
Other liabilities	10,818,318	5,184,298
Total liabilities	32,332,976	26,201,982
Invested in capital assets	23,827,053	22,344,061
Restricted for debt service	110,707	104,726
Restricted for SDRS pension	185,109	144,457
Unrestricted (deficit)	2,126,284	2,201,822
Total net position	26,249,153	24,795,066
Total liabilities and net position	\$ 58,582,129	\$ 50,997,048

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Net position of the Water District increased by 5.9% in 2022. In 2021, net position decreased by less than 1% (\$26.2 million compared to \$24.8 million). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$6.9 million, over 100% in 2022.

Table 2 – Change in Net Position

<u>Operating Revenues:</u>	<u>2022</u>	<u>2021</u>
Water Sales	\$ 5,145,307	\$ 5,140,552
Miscellaneous/Hookups	468,307	247,857
Total Revenues	<u>\$ 5,613,614</u>	<u>\$ 5,388,409</u>
<u>Operating expenses:</u>		
Intakes	195,889	197,764
Plants	1,308,427	1,140,211
Distributions	1,200,153	1,367,951
Administration	955,826	935,501
Depreciation	<u>2,013,728</u>	<u>1,669,742</u>
Total Expenses	<u>5,674,023</u>	<u>5,311,169</u>
Operating Income (Loss)	<u>(60,409)</u>	<u>77,240</u>
<u>Nonoperating revenues (expenses):</u>		
Investment earnings	91,902	61,480
Interest expense and fiscal charges	(720,100)	(678,792)
Debt Forgiveness	2,263,000	244,505
Pension revenue (expense)-SDRS	40,652	116,268
Gain (loss) on disposal of assets	14,771	(246,580)
Insurance proceeds	70,514	14,339
Net increase (decrease) in the fair value of investments	(22,400)	6,425
Other	29,563	5,571
Employee retention credit (repaid)	<u>(253,403)</u>	<u>253,403</u>
Total Nonoperating Revenue (Expenses)	<u>1,514,500</u>	<u>(223,381)</u>
Income Before Contributions	1,454,091	(146,141)
Capital Contributions	-	141,216
Net Change in Net Position	1,454,091	(4,925)
Net Position – Beginning of Year	<u>24,795,062</u>	<u>24,799,987</u>
Net Position – End of Year	<u>\$ 26,249,153</u>	<u>\$ 24,795,062</u>

In 2022, the total revenues of the Water District increased by \$225,205, or 4.2%, mainly from revenue related to new tap construction. In 2021, the total revenues of the Water District increased

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

by \$1 million, or 24%. The total cost of all programs and services increased by \$362,854, or 6.8% in 2022, compared to an increase of \$1.4 million, or 35% in 2021.

The Water District's Funds

As the Water District completed the year, it reported a fund balance of \$26,249,153, which was greater than \$24,795,062 in 2021.

Capital Asset and Debt Administration

Capital Assets

At the end of 2022, the Water District had \$54,035,494 invested in a broad range of capital assets (See Table 3). This amount represents an increase of \$7,646,406, or 16.5%. The District also had a net investment of \$861,508 in right of use assets.

Table 3

Capital Assets at Year-End

	<u>2022</u>	<u>2021</u>
Land	\$ 535,815	\$ 535,815
Lagoons	32,779	32,779
Construction in progress	12,017,510	5,170,223
Intakes	9,669,044	9,625,320
Power and pumping	12,387,766	11,986,578
Distribution	49,112,249	47,092,143
Administrative and general	379,356	362,915
	<u>84,134,519</u>	<u>74,805,773</u>
Less depreciation	<u>(30,099,025)</u>	<u>(28,416,685)</u>
Totals	<u>\$ 54,035,494</u>	<u>\$ 46,389,088</u>

Debt

At year-end, the Water District had \$23.0 million in bonds and notes outstanding, versus \$21.1 million last year– an increase of \$1,883,966, or 8.9% in 2022 as shown in Table 4.

Table 4

Long-Term Debt

	<u>2022</u>	<u>2021</u>
Compensated absences	\$ 17,883	\$ 34,266
Lease Liability	862,201	-
Notes payable	3,461,882	1,713,734
Water revenue bonds	18,640,000	19,350,000
Totals	<u>\$ 22,981,966</u>	<u>\$ 21,098,000</u>

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

More detailed information about the Water District's long-term liabilities is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Water District's Board of Directors has approved the budget for the next fiscal year. Also, water rates have been set to provide adequate cash flow to fund operating expenses as well as debt obligations.

Contacting the Water District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Water District's finances and to show the Water District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Water District office at 445 Main, PO Box 37, Lake Andes, SD 57356.

Randall Community Water District
Statement of Net Position
December 31, 2022

Assets	
Current Assets	
Cash and cash equivalents	\$ 42,440
Receivables	
Water users	426,814
Other	64,426
Inventory	743,277
Prepaid expenses	23,851
Total Current Assets	<u>1,300,808</u>
Restricted Noncurrent Assets	
Restricted assets	
Cash and cash equivalents	277,687
Net pension asset	5,757
Total Noncurrent Assets	<u>283,445</u>
Other Noncurrent Assets	
Cash and cash equivalents - Capital Improvements	328,463
Investments	490,206
Other investments - patronage capital credits	754,943
Property, Plant, and Equipment, net	54,035,494
Right of Use Asset, net	861,508
Total Other Noncurrent Assets	<u>56,470,614</u>
Deferred Outflows of Resources	
Pension related deferred outflows	527,262
Total Assets and Deferred Outflows	<u>\$ 58,582,129</u>
Liabilities and Net Position	
Current Liabilities	
Current maturities of long-term debt	
Loans Payable	\$ 935,134
Lease Payable	247,610
Accounts payable	566,857
Accrued interest	66,396
Accrued leave payable	17,883
Customer deposits	45,400
Armour cost share payable	51,600
Total Current Liabilities	<u>1,930,880</u>
Noncurrent Liabilities	
Loans payable	21,166,748
Short Term debt to be refinanced	5,324,100
Due to other Water Systems	166,980
Lease Payable	614,591
Contracts payable	2,781,767
Total Noncurrent Liabilities	<u>30,054,186</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>347,910</u>
Net Position	
Net investment in capital assets	23,827,053
Restricted for debt service	110,707
Restricted for SDRS pension	185,109
Unrestricted	2,126,284
Total Net Position	<u>\$ 26,249,153</u>

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

Randall Community Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2022

Operating Revenues:	
Water Sales	\$ 5,145,307
Hookups & Miscellaneous	468,307
Total Operating Revenue	5,613,614
Operating Expenses:	
Intakes	195,889
Plants	1,308,427
Distributions	1,200,153
Administration	955,826
Depreciation	2,013,728
Total Operating Expenses	5,674,023
Operating Income	(60,409)
Nonoperating Revenues (Expense):	
Investment earnings	91,902
Interest expense and fiscal charges	(720,100)
Debt Forgiveness	2,263,000
Pension revenue (expense) - SDRS	40,652
Gain (loss) on disposal of assets	14,771
Insurance proceeds	70,514
Net increase (decrease) in the fair value of investments	(22,400)
Other	29,563
Employee retention credit returned	(253,403)
Total Nonoperating Revenue (Expense)	1,514,500
Net Change in Net Position	1,454,091
Net Position - Beginning of Year	24,795,062
Net Position - End of Year	\$ 26,249,153

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

Randall Community Water District
Statement of Cash Flows
For the year ended December 31, 2022

Cash Flows from Operating Activities:	
Cash receipts from customers	5,601,938
Cash payments to suppliers of goods or services	(4,098,047)
Cash payment to employees for services	(959,277)
Other operating cash receipts	100,077
Net Cash Provided by Operating Activities	<u>644,691</u>
Cash Flows from Noncapital Financing Activities:	
Increase (decrease) in line of credit	<u>3,994,325</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(6,963,027)
Proceeds from capital debt	5,126,703
Principal paid on capital debt	(2,004,017)
Interest paid on capital debt	(720,100)
Increase (decrease) in contracts payable	(199,530)
Net Cash (Used) in Capital and Related Financing Activities	<u>(4,759,970)</u>
Cash Flows from Investing Activities:	
Capital credit retirements	35,534
Cash received for interest	23,912
Net Cash Provided by Investing Activities	<u>59,446</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(61,507)
Cash and Cash Equivalents, at Beginning of Year	<u>432,410</u>
Cash and Cash Equivalents, at End of Year	<u>370,903</u>
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating income (loss)	(60,409)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	2,013,728
Other nonoperating revenue (expense)	(138,554)
(Increase) decrease in:	
Receivable - water users	(13,476)
Receivable - other	190,052
Inventory	275,259
Prepaid expenses	639
Increase (Decrease) in:	
Accounts payable	(1,607,966)
Accrued leave payable	(16,383)
Customer deposits	1,800
Net Cash Provided by Operating Activities	<u>644,692</u>
Noncash Investing, Capital, and Financing Activities	
Patronage credit allocations	67,990
Net increase in the fair value of investments	(22,400)
Pension revenue (expense)	40,652
Gain in extinguishment of debt	2,263,000
Right of use assets acquired through capital leases	1,040,940
Capital assets acquired through accounts payable	2,177,634

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

Randall Community Water District
Notes to Financial Statements
December 31, 2022

1. Significant Accounting Policies:

Reporting Entity: The Randall Community Water District (the District) was created in 1976 for the purpose of financing, constructing, maintaining and operating a rural water distribution system. The District was organized under the authority of Chapter 46A-9-16 of the South Dakota Codified Laws of 1967, as amended, as a water user district.

The District operates under the direction of a Board of Directors who are elected by the members of the district and provides safe drinking water to its members throughout south central South Dakota.

Basis of Presentation: Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or service. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. Laws or regulations require that the activity's cost of providing services, including capital costs (such as depreciation of debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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.

In the financial statements, business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Deposits, Investments and Cash Equivalents: For the purpose of the District's Statement of Cash Flows, the District considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term

Randall Community Water District
Notes to Financial Statements
December 31, 2022

to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by SDCL 4-5-6.

Federal Income Taxes: The District qualifies as a political subdivision incorporated under the laws of South Dakota and is not subject to federal income taxes. South Dakota does not levy a state income tax.

Inventory: The District's inventories, consisting of parts, materials and supplies, are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment: Assets in property, plant and equipment are stated at cost. The District provides for depreciation on a straight-line basis at an annual rate which will amortize the undepreciated cost of depreciable property over estimated remaining service lives. The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized. When property, plant and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Estimated useful lives for financial reporting purposes are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land & Land Rights	\$ -	N/A	N/A
Improvements Other than Buildings	\$ 5,000	Straight-line	25-40 years
Buildings	\$ 5,000	Straight-line	25-40 years
Machinery & Equipment	\$ 5,000	Straight-line	3-10 years
Infrastructure	\$ 5,000	Straight-line	12.5-40 years
Utility Property & Improvements	\$ 5,000	Straight-line	12.5-40 years

Land is an inexhaustible asset and is not depreciated.

Long-Term Liabilities: All long-term liabilities to be repaid from business-type resources are reported as liabilities in the statements. The long-term liability primarily consists of bonds payable, financing (capital acquisition) leases, and accrued leave.

Unearned Revenues: The District has all taps on a monthly bill and read service. There are no unearned revenues reported in the accompanying financial statements.

Revenue Recognition: Revenues are recorded based on cycle billings rendered. Unbilled service amounts are not recognized until billed and are considered immaterial. Customer accounts receivable are deemed fully collectable, therefore, no allowance for doubtful accounts has been established.

Operating Revenues and Expenditures: Operating revenues and expenses for the District are those that result from providing services and include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Randall Community Water District
Notes to Financial Statements
December 31, 2022

Net Position: 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 positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Application of Net Position: When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted first, then unrestricted resources as needed.

Pensions: For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

2. Deposits, Investments, and Cash Equivalents:

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

Deposits – The District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Randall Community Water District
Notes to Financial Statements
December 31, 2022

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

The District's cash and cash equivalents consisted only of checking and savings accounts, and money market accounts. At December 31, 2022, investments classified in the financial statements consist entirely of certificates of deposits whose terms to maturity at date of acquisition exceeds three months. These accounts are insured or collateralized in the District's name, except for \$391,877 that exceeded FDIC limits.

- **Interest Rate Risk:** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- **Credit Risk:** State law limits eligible investments of the District as discussed above. The District has no investment policy that would further limit its investment choices.
- **Concentration Risk:** The District places no limit on the amount that may be invested in any one issuer.

3. Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2022:

Business-Type Activities	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
Capital Assets, not being depreciated				
Land	\$ 535,815	\$ -	\$ -	\$ 535,815
Lagoons	32,779	-	-	32,779
Construction-In-Progress	5,170,223	14,433,104	7,585,817	12,017,510
Total, not being depreciated	<u>5,738,817</u>	<u>14,433,104</u>	<u>7,585,817</u>	<u>12,586,104</u>
Capital Assets, being depreciated				
Intakes	9,625,320	43,725	-	9,669,045
Power and Pumping	11,986,578	401,188	-	12,387,766
Distribution	47,092,143	2,538,778	518,672	49,112,249
Administrative and General	362,915	16,440	-	379,355
Right to Use Lease Assets	-	1,040,940	-	1,040,940
Total, being depreciated	<u>69,066,956</u>	<u>4,041,071</u>	<u>518,672</u>	<u>72,589,355</u>

Randall Community Water District
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Less accumulated depreciation for				
Intakes	(1,859,893)	(214,352)	-	(2,074,245)
Power and Pumping	(4,022,757)	(318,876)	-	(4,341,633)
Distribution	(22,244,218)	(1,302,236)	(167,985)	(23,378,469)
Administrative and General	(289,817)	(14,860)	-	(304,677)
Right to Use Lease Assets	-	(179,433)	-	(179,433)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Accumulated Depreciation	(28,416,685)	(2,029,757)	(167,985)	(30,278,457)
Net Capital Assets	<u>\$ 46,389,088</u>	<u>\$ 16,444,418</u>	<u>\$ 7,936,505</u>	<u>\$ 54,897,002</u>

Construction Work in Progress at December 31, 2022 is composed of the following:

Project Name	<u>12/31/2022</u>
Alternative Energy Project	\$ 66,779
Geddes Taps	5,850,426
8" Parallel from Hwy 46 to Carda Tank	78,702
P II Intake Upgrade 2019+	1,563,169
Nanostone Revamp	2,198,894
Platte West Booster	316,344
Pickstown Media Replacement	154,138
City of Mitchell Transmission Line	54,262
Cedar Grove Line Upgrades	1,128,640
Lake Andes Booster Upgrade	334
Lakeview Colony Campus Hookup	184,035
Batterman Booster	96,722
Hwy 50 Line Relocate (W of LA)	108,455
Delmont Tank Booster	172,139
Powers Tank Booster	715
POET Plant in Lumen	1,333
Customer Taps	42,425
Total Construction-In-Progress	<u>\$ 12,017,510</u>

Randall Community Water District
Notes to Financial Statements
December 31, 2022

4. Long-Term Debt:

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

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22	Due in One Year
Business-Type Activities:					
Bonds Payable:					
Water Revenue Bonds - Series 2017	\$6,645,000	\$ -	\$ 315,000	\$6,330,000	\$320,000
Water Revenue Bonds - Series 2018	3,855,000	-	55,000	3,800,000	55,000
Water Revenue Bonds - Series 2019	1,875,000	-	80,000	1,795,000	80,000
Water Revenue Bonds - Series 2020	6,975,000	-	260,000	6,715,000	270,000
Direct Borrowings:					
Note Payable - Commercial State Bank	445,000	-	445,000	-	-
Department of Agriculture and Natural Resources	753,902	3,846,098	2,263,000 *	2,337,000	27,455
Department of Environment and Natural Resources	-	278,226	-	278,226	-
Financing Acquisitions:					
Capital Acquisition	187,124	-	37,138	149,986	37,944
Capital Acquisition	57,944	-	16,072	41,872	17,516
Capital Acquisition	27,911	-	11,754	16,157	11,754
Capital Acquisition	94,528	-	37,986	56,542	28,176
Capital Acquisition	147,325	-	147,325	-	-
Capital Acquisition	-	514,122	25,112	489,010	68,070
Capital Acquisition	-	112,000	18,912	93,088	19,220
Capital Acquisition	-	376,257	376,257	-	-
Leases under GASB 87:					
Capital Lease	-	270,880	78,742	192,138	81,677
Capital Lease	-	69,580	31,227	38,353	29,955
Capital Lease	-	492,317	13,855	478,462	69,208
Capital Lease	-	136,168	28,329	107,840	43,897
Capital Lease	-	28,688	16,740	11,948	11,948
Capital Lease	-	25,421	6,828	18,593	5,349
Capital Lease	-	17,607	2,740	14,866	5,576
Total Business-Type Activities	<u>\$21,063,734</u>	<u>\$ 6,167,365</u>	<u>\$ 4,267,018</u>	<u>\$22,964,081</u>	<u>\$1,182,744</u>

*Principal Forgiveness

Randall Community Water District
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December 31, 2022

	Balance 12/31/21	Net Annual Change	Balance 12/31/22	Due in One Year
Business-Type Activities:				
Compensated Absences	\$ 34,266	\$ (16,383)	\$ 17,883	\$ 17,883

Debt payable at December 31, 2022 is comprised of the following:

Issue	Maturity Date	Interest Rate	Debt Outstanding
Business Type Activities:			
Bonds Payable:			
Water Revenue Bonds - Series 2017	12/1/2038	.7%-3.25%	\$ 6,330,000
Water Revenue Bonds - Series 2018	12/1/2038	2.4%-4%	3,800,000
Water Revenue Bonds - Series 2019	12/1/2040	1.55%-2.8%	1,795,000
Water Revenue Bonds - Series 2020	12/1/2051	2%-3%	6,715,000
Direct Borrowings:			
Department of Agriculture and Natural Resources	12/1/2052	2.25%	2,337,000
Department of Environment and Natural Resources	TBD	1.875%	278,226
Financing Acquisitions:			
Vermeer RTX125O12 Basic Tilt Tractor	10/30/2026	2.15%	149,986
2019 CX75C Case Mini Excavator	4/10/2025	3.49%	41,872
Case TV370	4/15/2024	0.00%	16,157
SCADA Hardware	6/29/2024	3.0%	56,542
Bron 550 Trencher	9/30/2027	8.7%	489,010
2022 V100 Vibratory Plow	3/14/2027	3.85%	93,088
Leases under GASB 87:			
2021 Case 2050M Dozer	2/14/2025	5.84%	192,138
2021 Case 621G Wheel Loader	3/16/2024	4.75%	38,353
2018 Komatsu D155	9/28/2028	6.79%	478,462
CX210D Excavator	4/20/2025	7.59%	107,840
Takeuchi	8/28/2023	8.24%	11,948
RAM 2022 #1650	2/1/2026	8.39%	18,593
RAM 2022 #6985	6/1/2025	8.40%	14,866
Total Outstanding Long-term Debt			\$ 22,964,081

Randall Community Water District
Notes to Financial Statements
December 31, 2022

The annual requirements to retire debt is as follows:

Long-term Debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 935,134	\$ 601,336	\$ 1,536,469
2024	982,489	600,581	1,583,069
2025	965,527	572,454	1,537,981
2026	1,023,861	540,309	1,564,170
2027	1,223,185	506,623	1,729,808
2028-2032	5,534,605	2,050,926	7,585,531
2033-2037	5,957,548	1,231,489	7,189,037
2038-2042	2,829,996	440,459	3,270,456
2043-2047	1,167,484	228,179	1,395,663
2048-2052	1,150,609	78,154	1,228,763
2053	331,445	449	331,894
	<u>\$ 22,101,882</u>	<u>\$ 6,850,959</u>	<u>\$ 28,952,841</u>

Leases:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 253,591	\$ 26,063	\$ 279,654
2024	236,315	33,776	270,091
2025	122,077	20,715	142,793
2026	86,376	14,301	100,677
2027	91,241	8,318	99,559
2028	72,600	93	72,693
	<u>\$ 862,201</u>	<u>\$ 103,267</u>	<u>\$ 965,467</u>

5. Commitments:

The District entered into a full-service plan with Maguire Iron for tank maintenance for the 500 MG Sphere tank with yearly payments of \$75,550 for the first five years and then varied rates as follows for the next five years based on services provided.

2023	\$75,550
2024	\$75,550
2025	\$29,971
2026	\$31,170
2027	\$32,417
2028	\$33,713
2029	\$35,062

**Randall Community Water District
Notes to Financial Statements
December 31, 2022**

6. Short-Term Debt:

Randall Community Water District has lines of credit with lenders as follows:

Lender	Balance	Interest Rate	Maturity Date
CoBank	\$ 750,000	6.3%	10/31/2023
Commercial State Bank	2,699,825	4.3%	5/13/2023
Commercial State Bank	300,000	6.0%	12/18/2022
Commercial State Bank	800,000	6.0%	1/5/2023
Commercial State Bank	<u>5,909</u>	6.0%	1/5/2023
	4,555,734		
Accrued Interest	<u>101,192</u>		
	<u><u>\$ 4,656,927</u></u>		

Randall Community Water District paid off these lines of credit with a \$5.8 million bond offering in January 2023. The balances above, along with \$667,174 of project related accounts payable, are reported under noncurrent liabilities on the Statement of Net Position.

7. Risks of Loss:

Randall Community Water District is exposed to certain risks of loss, such as fire, casualty, and damage to property. The Water District has purchased adequate commercial insurance to minimize the loss from these occurrences. There have been no settlements exceeding insurance coverage during the preceding fiscal year.

8. Reserve Funds Payable:

The reserve requirement on loans secured for the Aurora-Brule water project required that Davison Rural Water System and Aurora-Brule Rural Water System make a monthly payment to Randall Community Water District. The loan reserve requirements were met in April 2012, and monthly payments are no longer required. Interest earned on the reserve is reimbursed back when the reserve certificates of deposits mature. Randall Community Water District will be required to pay back the reserve balance to Davison Rural Water System and Aurora-Brule Rural Water System when the loan is paid in full. Total reserve accounts were \$277,687.

9. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit plan 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

Randall Community Water District
Notes to Financial Statements
December 31, 2022

issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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.

**Randall Community Water District
Notes to Financial Statements
December 31, 2022**

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. The District's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 94,717
2021	\$ 73,996
2020	\$ 74,705

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, 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, 2022 and reported by the District as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 8,599,844
Less proportionate share of net pension restricted for pension benefits	8,605,602
Proportionate share of net pension liability (asset)	<u>\$ (5,757)</u>

At December 31, 2022, the County/Municipality reported a liability (asset) of \$5,757 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of as of June 30 ,2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022 the District's proportion was 0.06092% which is an increase of 0.00626% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the County/Municipality recognized pension expense (reduction of pension expense) of \$40,652. At December 31, 2022 the District reported deferred outflows or resources and deferred inflows or resources related to pension from the following sources:

Randall Community Water District
Notes to Financial Statements
December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 109,595	\$ 374
Changes in assumption	365,918	320,678
Net difference between projected and actual earnings on pension plan investments	--	13,797
Changes in proportion and difference between District contributions and proportionate share of contributions	1,404	13,061
District contributions subsequent to measurement date	50,346	-
	\$ 527,262	\$ 347,910

\$50,346 reported as deferred outflow of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31,	
2023	\$ 33,669
2024	76,301
2025	(93,947)
2026	112,983
Thereafter	-
Total	\$ 129,006

Actuarial Assumptions:

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

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

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Randall Community Water District
Notes to Financial Statements
December 31, 2022

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.0%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	2.70%

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

**Randall Community Water District
Notes to Financial Statements
December 31, 2022**

rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the County's/Municipality'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:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$1,195,455	(\$5,757)	(\$987,465)

Pension Plan Fiduciary Net Position:

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

10. Risks and Uncertainties:

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

11. New Accounting Pronouncement:

The District implemented GASB Statement No. 87, Leases (GASB 87), as of January 1, 2022. The District evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The contracts related to the lease of their properties and equipment meet the definition of a lease and the District calculated and recognized a lease liability and a right of use asset. The beginning net position was not restated for the adoption of GASB 87.

Randall Community Water District
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability/asset	0.0609200%	0.0546600%	0.0479905%	0.0421314%	0.0454622%	0.0398441%	0.0397462%	0.0343682%
District's proportionate share of net pension liability (asset)	\$ (5,757)	\$ (418,602)	\$ (2,084)	\$ (4,465)	\$ (1,060)	\$ (3,616)	\$ 134,259	\$ (145,765)
District's covered payroll	\$ 1,578,549	\$ 1,248,776	\$ 1,250,803	\$ 876,194	\$ 935,269	\$ 891,963	\$ 764,713	\$ 703,921
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.36%	33.65%	0.21%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.04%	100.09%	100.02%	96.89%	104.10%

** The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Randall Community Water District
Schedule of the District Contributions

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 94,717	\$ 73,996	\$ 74,705	\$ 52,497	\$ 56,116	\$ 53,518	\$ 45,890	\$ 42,236
Contributions in relation to the contractually required contribution	\$ 94,717	\$ 73,996	\$ 74,705	\$ 52,497	\$ 56,116	\$ 53,518	\$ 45,890	\$ 42,236
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,578,549	\$ 1,248,776	\$ 1,250,803	\$ 876,194	\$ 935,269	\$ 891,963	\$ 764,713	\$ 703,921
Contributions as a percentage of covered payroll	6%	6%	6%	6%	6%	6%	6%	6%

**Required Supplementary Information
Randall Community Water District
Notes to Required Supplementary Information**

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA

Required Supplementary Information
Randall Community Water District
Notes to Required Supplementary Information

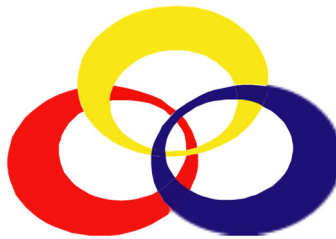
assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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



Kinner & Company Ltd
Certified Public Accountants

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 of
Randall Community Water District

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 Randall Community Water District, which comprise the statement of net position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Randall Community Water 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Randall Community Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Randall Community Water 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*.

Randall Community Water District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Randall Community Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Randall Community Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kinner + Company Ltd.
Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

November 9, 2023

**Randall Community Water District
Schedule of Findings and Responses
For the year ended December 31, 2022**

Financial Statement Findings

Finding 2022-001: Material Weakness – Preparation of Financial Statements and Footnotes and Material Proposed Adjustments to the Financial Statements.

Criteria: The financial statements are the responsibility of System’s management and internal controls should be in place to provide reasonable assurance over financial reporting.

Condition: The auditor was requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management’s responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. Additionally, adjustments were needed to record numerous accounting and audit adjustments, including some material. The material adjustments were to accounts payable, capital assets and equity accounts.

Cause: We needed to make material audit adjustments in connection with our audit to correct the trial balance prepared by the System.

Effect: This could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. The auditor has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the System is reviewing the financial statements, we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the System should agree its financial software to the numbers reported in the financial statements. Management should also review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Views of Responsible Officials: Management agrees with the findings.

**Randall Community Water District
Summary Schedule of Prior Audit Findings
For the year ended December 31, 2021**

Prior Audit Findings:

There were no prior year findings.

**Randall Community Water District
Corrective Action Plan
For the year ended December 31, 2022**

Finding 2022-001

Finding Summary: Kinner & Company, Ltd prepared our draft financial statements, accompanying notes to the financial statements, which also included certain auditor proposed adjusting journal entries and passed audit adjustments.

Responsible Individuals: Scott Pick, General Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements, accompanying notes, and schedule of expenditures of federal awards. We requested that our auditors, Kinner & Company, Ltd, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements, accompanying notes, and schedule of expenditures of federal awards, and any adjusting and passed journal entries prepared or identified by the auditor.

Anticipated Completion Date: Ongoing