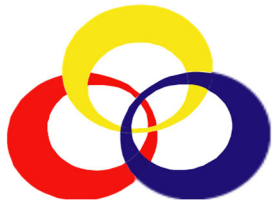


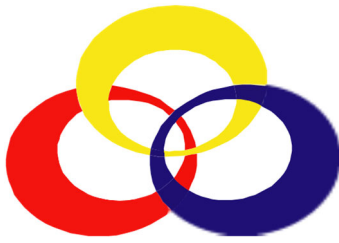
Randall Community Water District
Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2024



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

Randall Community Water District
Table of Contents

| | Page |
|---|------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Financial Statements | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses, and Changes in Net Position | 10 |
| Statement of Cash Flows | 11 |
| Notes to Financial Statements | 12 |
| Required Supplementary Information | |
| Schedule of the District's Share of the Net Pension Liability (Asset) | 26 |
| Schedule of the District's Contributions | 27 |
| Notes to Required Supplemental Information | 28 |
| 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 | 29 |
| Schedule of Findings and Responses | 31 |
| Summary Schedule of Prior Audit Findings | 32 |
| Corrective Action Plan | 33 |



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, 2024, 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, 2024, 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.

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 September 8, 2025 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

September 8, 2025

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2024**

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, 2024. Please read it in conjunction with the Water District's financial statements, which begin on page 9.

Financial Highlights

- During 2024, the Water District's net capital assets increased by \$5,401,081, or 10% as a result of water system improvements, equipment purchases & disposals, and depreciation expense.
- For the 2024 fiscal year, water sales for the District were \$5,933,206 an increase of \$187,305, or 3.3% from 2023, while operating expenses were \$6,436,506, an increase of \$715,434, or 12.3%.
- The Water District had an increase of \$424,802 in net position in the 2024 fiscal year, largely due to receiving \$1,910,426 in grant income.
- Before depreciation expense, the district had an increase of net position of \$3,021,794.

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, 2024**

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 2023 to 2024 – increasing from \$27.2 million to \$27.7 million, for a \$424,802, or 2.0% 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. 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 \$444,018 in 2024.

Table 1

Net Position

| | Business-type Activities | |
|---------------------------------------|---------------------------------|---------------|
| | 2024 | 2023 |
| Current and other assets | \$ 3,307,355 | \$ 3,056,737 |
| Restricted assets | 431,092 | 322,461 |
| Net pension asset & deferred outflows | 493,051 | 510,795 |
| Capital assets | 61,779,960 | 56,378,880 |
| Right of use asset | 1,662,317 | 1,029,777 |
| Total assets | \$ 67,673,775 | \$ 61,298,651 |
| Long-term debt outstanding | 32,767,598 | 28,227,321 |
| Deferred inflows | 376,936 | 340,933 |
| Other liabilities | 6,856,534 | 5,482,491 |
| Total liabilities | 40,001,067 | 34,050,745 |
| Invested in capital assets | 25,770,019 | 25,055,914 |
| Restricted for debt service | 432,555 | 224,093 |
| Restricted for SDRS pension | 116,116 | 169,863 |
| Unrestricted (deficit) | 1,354,017 | 1,798,036 |
| Total net position | 27,672,708 | 27,247,906 |
| Total liabilities and net position | \$ 67,673,775 | \$ 61,298,651 |

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2024**

In 2024, the total revenues of the Water District increased by \$114,902 or 1.9%, mainly from revenue related to water sales. In 2023, the total revenues of the Water District increased by \$470,508, or 8.4%. The total cost of all programs and services increased by \$715,434, or 12.3% in 2024, compared to an increase of \$154,050, or 2.7% in 2023.

Table 2

Changes in Net Position

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Operating revenues: | | |
| Water Sales (pledged for debt) | \$ 5,933,206 | \$ 5,745,901 |
| Miscellaneous | 265,818 | 338,220 |
| Total Revenues | <u>\$ 6,199,024</u> | <u>\$ 6,084,122</u> |
| Operating expenses: | | |
| Intakes | 207,148 | 194,697 |
| Plants | 1,238,217 | 1,164,808 |
| Distributions | 1,536,698 | 1,390,318 |
| Administration | 964,450 | 828,565 |
| Depreciation | 2,596,993 | 2,249,684 |
| Total Expenses | <u>6,543,506</u> | <u>5,828,072</u> |
| Operating Income (Loss) | <u>(344,482)</u> | <u>256,050</u> |
| Nonoperating revenues (expenses): | | |
| Grant Income | 1,910,426 | 2,167,526 |
| Investment earnings | 100,826 | 116,328 |
| Interest expense and fiscal charges | (1,244,595) | (1,164,856) |
| Debt Forgiveness | - | 485,673 |
| Pension revenue (expense)-SDRS | (53,747) | (15,247) |
| Gain (loss) on disposal of assets | 49,724 | (860,053) |
| Net increase (decrease) in the fair value of investments | - | 17,057 |
| Other income (expense) | 6,649 | (3,725) |
| Total Nonoperating Revenue (Expenses) | <u>769,284</u> | <u>742,703</u> |
| Income Before Contributions | 424,802 | 998,753 |
| Capital Contributions | - | - |
| Net Change in Net Position | <u>424,802</u> | <u>998,753</u> |
| Net Position – Beginning of Year | <u>27,247,906</u> | <u>26,249,153</u> |
| Net Position – End of Year | <u>\$ 27,672,708</u> | <u>\$ 27,247,906</u> |

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2024**

Capital Asset and Debt Administration

Capital Assets

At the end of 2024, the Water District had \$61,779,960 invested in a broad range of capital assets (See Table 3). This amount represents an increase of \$5,401,081, or 9.6%. The District also had a net investment of \$1,662,317 in right of use assets.

Table 3

Capital Assets at Year-End

| | <u>2024</u> | <u>2023</u> |
|----------------------------|----------------------|----------------------|
| Land | \$ 535,815 | \$ 535,815 |
| Lagoons | 32,779 | 32,779 |
| Construction in progress | 13,815,883 | 13,085,974 |
| Intakes | 9,669,044 | 9,669,044 |
| Power and pumping | 14,754,251 | 14,433,516 |
| Distribution | 56,498,175 | 50,122,940 |
| Administrative and general | 438,814 | 423,814 |
| | <u>95,744,762</u> | <u>88,303,883</u> |
| Less depreciation | <u>(33,964,802)</u> | <u>(31,925,003)</u> |
| Totals | <u>\$ 61,779,960</u> | <u>\$ 56,378,880</u> |

Debt

At year-end, the Water District had bonds and notes outstanding of \$35.6 million versus \$30.2 million in the prior year – an increase of \$5.4 million, or 17.9% (see Table 4). More detailed information about the Water District's long-term liabilities is presented in Note 4 to the financials.

Table 4

Long-Term Debt

| | <u>2024</u> | <u>2023</u> |
|----------------------|----------------------|----------------------|
| Compensated absences | \$ 51,540 | \$ 29,335 |
| Lease Liability | 1,615,069 | 1,008,660 |
| Notes payable | 16,810,780 | 11,288,798 |
| Water revenue bonds | <u>17,175,000</u> | <u>17,915,000</u> |
| Totals | <u>\$ 35,652,389</u> | <u>\$ 30,241,794</u> |

**Randall Community Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2024**

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, 2024

| | |
|--|----------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 971,888 |
| Receivables | |
| Water users | 446,112 |
| Grants | 250,170 |
| Other | 5,392 |
| Inventory | 629,043 |
| Prepaid expenses | 69,545 |
| Total Current Assets | <u>2,372,150</u> |
| Restricted Noncurrent Assets | |
| Restricted assets | |
| Cash and cash equivalents | 431,092 |
| Net pension asset | 2,861 |
| Total Noncurrent Assets | <u>433,953</u> |
| Other Noncurrent Assets | |
| Cash and cash equivalents - Capital Improvements | 135,866 |
| Other investments - patronage capital credits | 799,338 |
| Property, Plant, and Equipment, net | 61,779,960 |
| Right of Use Asset, net | 1,662,317 |
| Total Other Noncurrent Assets | <u>64,377,482</u> |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | 490,190 |
| Total Assets and Deferred Outflows | <u>\$ 67,673,775</u> |
| Liabilities and Net Position | |
| Current Liabilities | |
| Current maturities of long-term debt | |
| Loans Payable | \$ 1,218,182 |
| Lease Payable | 482,990 |
| Accounts payable | 1,434,302 |
| Accrued interest | 208,002 |
| Accrued leave payable | 51,540 |
| Total Current Liabilities | <u>3,395,015</u> |
| Noncurrent Liabilities | |
| Loans payable | 32,767,598 |
| Short Term debt, to be refinanced | 1,827,907 |
| Due to other Water Systems | 166,980 |
| Customer deposits | 39,450 |
| Armour cost share payable | 51,600 |
| Lease Payable | 1,132,079 |
| Contracts payable | 243,502 |
| Total Noncurrent Liabilities | <u>36,229,116</u> |
| Deferred Inflows of Resources | |
| Pension related deferred inflows | 376,936 |
| Net Position | |
| Net investment in capital assets | 25,770,019 |
| Restricted for debt service | 432,555 |
| Restricted for SDRS pension | 116,116 |
| Unrestricted | 1,354,017 |
| Total Net Position | <u>\$ 27,672,708</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, 2024

| | |
|--------------------------------------|---------------|
| Operating Revenues: | |
| Water Sales | \$ 5,933,206 |
| Hookups & Miscellaneous | 265,818 |
| Total Operating Revenue | 6,199,024 |
| | |
| Operating Expenses: | |
| Intakes | 207,148 |
| Plants | 1,238,217 |
| Distributions | 1,536,698 |
| Administration | 964,450 |
| Depreciation | 2,596,993 |
| Total Operating Expenses | 6,543,506 |
| | |
| Operating Income | (344,482) |
| | |
| Nonoperating Revenues (Expense): | |
| Grant income | 1,910,426 |
| Investment earnings | 100,826 |
| Interest expense and fiscal charges | (1,244,595) |
| Pension revenue (expense) - SDRS | (53,747) |
| Gain (loss) on disposal of assets | 49,724 |
| Other income (expenses) | 6,649 |
| Total Nonoperating Revenue (Expense) | 769,284 |
| | |
| Net Change in Net Position | 424,802 |
| Net Position - Beginning of Year | 27,247,906 |
| Net Position - End of Year | \$ 27,672,708 |

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, 2024

| | |
|---|---------------------|
| Cash Flows from Operating Activities: | |
| Cash receipts from customers | \$ 6,208,577 |
| Grants & other operating cash receipts | 1,917,075 |
| Cash payments to suppliers of goods or services | (1,977,731) |
| Cash payment to employees for services | (1,009,303) |
| Net Cash Provided by Operating Activities | <u>5,138,618</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Increase (decrease) in line of credit | <u>(2,666)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchase of capital assets | (7,842,650) |
| Proceeds from capital debt | 5,835,499 |
| Principal paid on capital debt | (1,053,518) |
| Interest paid on capital debt | (1,192,937) |
| Increase (decrease) in contracts payable | (66,209) |
| Net Cash (Used) in Capital and Related Financing Activities | <u>(4,319,814)</u> |
| Cash Flows from Investing Activities: | |
| Capital credit retirements | 39,750 |
| Cash received for interest | 38,384 |
| Net Cash Provided by Investing Activities | <u>78,134</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 894,272 |
| Cash and Cash Equivalents, at Beginning of Year | <u>213,482</u> |
| Cash and Cash Equivalents, at End of Year | <u>\$ 1,107,754</u> |
| Cash and Cash Equivalents Consists of: | |
| Cash and cash equivalents | 971,888 |
| Cash and cash equivalents - Capital Improvements | 135,866 |
| | <u>\$ 1,107,754</u> |
| Reconciliation of Operating Income to Net | |
| Cash Provided by Operating Activities: | |
| Operating income (loss) | (344,482) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 2,596,993 |
| Other nonoperating revenue (expense) | 1,917,075 |
| (Increase) decrease in: | |
| Receivables | 18,653 |
| Inventory | 131,327 |
| Prepaid expenses | 803 |
| Increase (Decrease) in: | |
| Accounts payable | 805,145 |
| Accrued leave payable | 22,205 |
| Customer deposits | (9,100) |
| Net Cash Provided by Operating Activities | <u>\$ 5,138,618</u> |
| Noncash Investing, Capital, and Financing Activities | |
| Patronage credit allocations | 62,443 |
| Pension revenue (expense) | (53,747) |
| Right of use assets acquired through capital leases | 1,135,818 |
| Capital assets acquired through accounts payable | 169,462 |

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

Randall Community Water District
Notes to Financial Statements
December 31, 2024

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, 2024

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, direct borrowings, 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, 2024

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.

Investments - In general, SDCL 4-5-6 permits District funds to be invested only in (a) securities

Randall Community Water District
Notes to Financial Statements
December 31, 2024

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, 2024, 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 \$1,614,055 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, 2024:

| Business-Type Activities | Balance 1-Jan-24 | Additions | Deletions | Balance 31-Dec-24 |
|---------------------------------------|---------------------|------------------|------------------|----------------------|
| Capital Assets, not being depreciated | | | | |
| Land | \$ 535,815 | \$ | \$ | \$ 535,815 |
| Lagoons | 32,779 | | | 32,779 |
| Construction-In-Progress | 13,085,972 | 6,988,472 | 6,258,560 | 13,815,884 |
| Total, not being depreciated | <u>13,654,566</u> | <u>6,988,472</u> | <u>6,258,560</u> | <u>14,384,478</u> |
| Capital Assets, being depreciated | | | | |
| Intakes | 9,669,045 | | | 9,669,045 |
| Power and Pumping | 14,433,516 | 320,733 | | 14,754,249 |
| Distribution | 50,122,940 | 6,490,940 | 115,705 | 56,498,175 |
| Administrative and General | 423,814 | 15,000 | | 438,814 |
| Right of Use Lease Assets | 1,376,337 | 1,135,818 | 71,152 | 2,441,003 |
| Total, being depreciated | <u>76,025,652</u> | <u>7,962,491</u> | <u>186,857</u> | <u>83,801,286</u> |

**Randall Community Water District
Notes to Financial Statements
December 31, 2024**

| | | | | |
|-----------------------------------|----------------------|----------------------|---------------------|----------------------|
| Less accumulated depreciation for | | | | |
| Intakes | (2,289,135) | (214,661) | | (2,503,796) |
| Power and Pumping | (4,616,479) | (404,441) | | (5,020,920) |
| Distribution | (24,703,446) | (1,456,172) | (53,915) | (26,105,703) |
| Administrative and General | (315,939) | (18,441) | | (334,380) |
| Right of Use Lease Assets | (346,561) | (503,278) | (71,152) | (778,687) |
| Total Accumulated Depreciation | <u>(32,271,561)</u> | <u>(2,596,993)</u> | <u>(125,067)</u> | <u>(34,743,486)</u> |
| Net Capital Assets | <u>\$ 57,408,657</u> | <u>\$ 12,353,970</u> | <u>\$ 6,320,350</u> | <u>\$ 63,442,278</u> |

Construction Work in Progress at December 31, 2024 is composed of the following:

| Project Name | |
|---------------------------------------|----------------------|
| 8" Parallel from Hwy 46 to Carda Tank | \$ 960,604 |
| P II Intake Upgrade 2019+ | 2,399,467 |
| City of Mitchell Transmission Line | 3,080,126 |
| Cedar Grove Line Upgrades | 2,290,814 |
| Lake Andes Booster Upgrade | 71,579 |
| Lakeview Colony Campus Hookup | 447,066 |
| Batterman Booster | 269,569 |
| Hwy 50 Line Relocate (W of LA) | 3,231,762 |
| Powers Tank Booster | 78,332 |
| Scada Sites | 262,252 |
| 6MGD P3 Additional Regional RW | 537,165 |
| Harrison Line Upgrades | 139,334 |
| Platte Golf Course | 19,557 |
| Interconnect P2 & P3 | 15,445 |
| Other | 3,908 |
| Customer Taps | 5,905 |
| Total Construction-In-Progress | <u>\$ 13,815,884</u> |

Randall Community Water District
Notes to Financial Statements
December 31, 2024

4. Long-Term Debt:

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/24</u> | <u>Due in One Year</u> |
|---|------------------------------|----------------------------|--------------------------|-----------------------------|----------------------------|
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| Water Revenue Bonds - Series 2017 | \$6,010,000 | \$ - | \$ 325,000 | \$5,685,000 | \$335,000 |
| Water Revenue Bonds - Series 2018 | 3,745,000 | - | 60,000 | 3,685,000 | 55,000 |
| Water Revenue Bonds - Series 2019 | 1,715,000 | - | 85,000 | 1,630,000 | 85,000 |
| Water Revenue Bonds - Series 2020 | 6,445,000 | - | 270,000 | 6,175,000 | 285,000 |
| Water Revenue Bonds - Series 2023 | 5,735,000 | - | 35,000 | 5,700,000 | 40,000 |
| Water Revenue Bonds - Series 2024 | - | 2,787,767 | - | 2,787,767 | - |
| Direct Borrowings: | | | | | |
| Department of Agriculture and Natural Resources | 2,309,545 | - | 55,842 | 2,253,703 | 57,109 |
| Department of Agriculture and Natural Resources | 485,673 | 10,888 | - | 496,561 | - |
| Department of Environment and Natural Resources | 2,196,278 | 859,102 | - | 3,055,380 | 57,347 |
| CoBank | - | 1,825,000 | 71,074 | 1,753,926 | 112,023 |
| Farm Credit Lease | - | 352,744 | 34,187 | 318,557 | 42,901 |
| Financed Purchases | 562,301 | - | 117,415 | 444,886 | 148,802 |
| Leases under GASB 87: | | | | | |
| Leases | 1,008,660 | 1,135,818 | 529,409 | 1,615,069 | 482,990 |
| Total Business-Type Activities | <u>\$30,212,457</u> | <u>\$ 6,971,319</u> | <u>\$1582,927</u> | <u>\$35,600,849</u> | <u>\$1,701,172</u> |

| | <u>Beginning Balance</u> | <u>Net Annual Change</u> | <u>Balance 12/31/24</u> |
|---|------------------------------|------------------------------|-----------------------------|
| Business-Type Activities: Compensated Absences | \$ 29,335 | \$ 22,205 | \$ 51,540 |

Debt payable at December 31, 2024 is comprised of the following:

| <u>Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Debt Outstanding</u> |
|---|--------------------------|--------------------------|-----------------------------|
| Business Type Activities: | | | |
| Bonds Payable: | | | |
| Water Revenue Bonds - Series 2017 | 12/1/2038 | 0.7%-3.25% | \$ 5,685,000 |
| Water Revenue Bonds - Series 2018 | 12/1/2038 | 2.4%-4% | 3,685,000 |
| Water Revenue Bonds - Series 2019 | 12/1/2040 | 1.55%-2.8% | 1,630,000 |
| Water Revenue Bonds - Series 2020 | 12/1/2051 | 2%-3% | 6,175,000 |
| Water Revenue Bonds - Series 2023 | 12/1/2052 | 3% - 5% | 5,700,000 |
| Water Revenue Bonds - Series 2024 | TBD | 1.875% | 2,787,767 |
| Direct Borrowings: | | | |
| Department of Agriculture and Natural Resources | 12/1/2052 | 2.25% | 2,253,703 |
| Department of Agriculture and Natural Resources | TBD | 1.875% | 496,561 |
| Department of Environment and Natural Resources | 1/15/2055 | 1.875% | 3,055,380 |
| CoBank | 4/20/2036 | 6.310% | 1,753,926 |
| Farm Credit Lease | 3/1/2031 | 5.100% | 318,557 |
| Financing Acquisitions: | | | |
| Vermeer RTX125O12 Basic Tilt Tractor | 10/30/2026 | 2.15% | 70,004 |
| SCADA Hardware | 6/29/2024 | 3.0% | 28,158 |
| Bron 550 Trencher | 9/30/2027 | 8.7% | 346,724 |

**Randall Community Water District
Notes to Financial Statements
December 31, 2024**

| | | | |
|---|------------|-------|----------------------|
| 2023 Case 850M WT Dozer #183 | 7/11/2026 | 6.80% | 65,277 |
| 2022 Case 621G Wheel Loader | 12/28/2028 | 6.31% | 124,906 |
| 2018 Komatsu D155 | 9/28/2028 | 6.79% | 335,200 |
| CX210D Excavator | 4/20/2025 | 7.59% | 16,595 |
| 2023 CX140E Excavator | 9/1/2026 | 7.25% | 70,694 |
| 2023 CX75C Excavator | 3/1/2029 | 7.01% | 49,172 |
| 2023 Takeuchi | 9/27/2026 | 7.39% | 26,568 |
| 2022 Ram #1650 | 2/1/2026 | 8.39% | 7,933 |
| 2022 Ram #6985 | 6/1/2025 | 8.40% | 3,227 |
| 2023 Ram #8700 | 10/19/2026 | 5.86% | 10,901 |
| 2023 Ram #2063 | 3/14/2027 | 2.44% | 17,316 |
| 2023 Komatsu D51PX Dozer 16059 | 1/28/2028 | 6.68% | 139,041 |
| 2024 Case 651G Wheel Loader 1313 | 3/12/2027 | 7.77% | 59,616 |
| 2024 MTU DS1000 Generator 1658 | 2/18/2031 | 6.77% | 220,244 |
| 2024 Case TR310B Skid Loader 2166 | 1/15/2028 | 6.46% | 54,537 |
| 2024 Road clipper 38x102 Flatbed 8403 | 5/20/2029 | 6.57% | 27,926 |
| 2024 Allied Winch Attachment 5K64 | 1/6/2028 | 5.44% | 62,031 |
| 2024 Ram 3500 6865 | 1/28/2029 | 6.51% | 58,739 |
| 2024 Ram 2500 9524 & 2024 Ram 3500 6640 | 3/24/2029 | 6.87% | 97,455 |
| 2024 Chevy Silverado 3402 | 9/8/2029 | 6.03% | 35,546 |
| 2024 Case 695SV Backhoe 2782 | 5/5/2027 | 8.40% | 65,452 |
| 2024 Case 850M Dozer 4200 | 6/26/2027 | 7.63% | 56,580 |
| 2024 Case 370B Skid steer 7932 | 9/1/2027 | 7.61% | 10,113 |
| Total Outstanding Long-term Debt | | | <u>\$ 35,600,849</u> |

The annual requirements to retire debt, excluding debt that is not yet in repayment, is as follows:

Long-term Debt:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|----------------------|----------------------|----------------------|
| 2025 | \$ 1,218,182 | \$ 984,084 | \$ 2,202,266 |
| 2026 | 1,279,381 | 954,952 | 2,234,333 |
| 2027 | 1,516,320 | 909,033 | 2,425,353 |
| 2028 | 1,382,669 | 857,899 | 2,240,568 |
| 2029 | 1,417,225 | 812,474 | 2,229,699 |
| 2030-2034 | 7,561,654 | 3,370,147 | 10,931,801 |
| 2035-2039 | 7,153,655 | 1,969,926 | 9,123,582 |
| 2040-2044 | 3,302,760 | 1,229,571 | 4,532,331 |
| 2045-2049 | 3,383,842 | 729,979 | 4,113,821 |
| 2050-2054 | 2,452,573 | 165,555 | 2,618,128 |
| 2055 | 33,193 | 156 | 33,349 |
| | <u>\$ 30,701,454</u> | <u>\$ 11,983,776</u> | <u>\$ 42,651,881</u> |

Randall Community Water District
Notes to Financial Statements
December 31, 2024

Leases:

| | Principal | Interest | Total |
|------|--------------|------------|--------------|
| 2025 | \$ 482,990 | \$ 93,990 | \$ 576,980 |
| 2026 | 443,837 | 62,148 | 505,985 |
| 2027 | 346,956 | 34,731 | 381,687 |
| 2028 | 228,165 | 14,683 | 242,848 |
| 2029 | 64,135 | 5,117 | 69,252 |
| 2030 | 41,750 | 2,037 | 43,787 |
| 2031 | 7,237 | 61 | 7,298 |
| | \$ 1,615,069 | \$ 212,767 | \$ 1,827,836 |

As of December 31, 2024, the Water District had drawn \$496,561 and \$2,787,765 on drinking water loan agreements with USDA. The loans will convert to permanent financing upon completion of the projects, at which time repayment terms will be established. Accordingly, the outstanding balance is not included in the schedule of debt service requirements to maturity.

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.

| | |
|------|-----------|
| 2025 | \$ 29,971 |
| 2026 | \$ 31,170 |
| 2027 | \$ 32,417 |
| 2028 | \$ 33,713 |
| 2029 | \$ 35,062 |

6. Short-Term Debt:

Randall Community Water District has a \$2,000,000 line of credit at CoBank. As of December 31, 2024 there were borrowings of \$1,827,907 against the line of credit. The line bears interest at 6.31% and matures January 2025.

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

Randall Community Water District
Notes to Financial Statements
December 31, 2024

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 \$166,980.

The mortgage agreements with USDA Rural Development and CoBank require the Water District to establish and maintain a debt service reserve fund. These reserve funds cannot be used or committed for any purpose without prior written approval from the lenders. During 2024, the Water District approved to fully fund the reserves. Reserve accounts are as follows:

| Lender Restricted: | 2024 |
|--|------------|
| Davison Rural Water System and Aurora-Brule Rural Water System | \$ 166,980 |
| USDA Rural Development | 153,553 |
| CoBank | 110,560 |
| Total | \$ 431,093 |

9. GASB Standards Implemented

GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

10. Workers Compensation

The Randall Community Water District is a member of the SDML Workers’ Compensation Fund (Fund), a public entity risk sharing pool which provides workers’ compensation coverage to their Members. The Member pays an annual contribution to the SDML Workers’ Compensation Fund to provide Statutory Workers’ Compensation Coverage. The Fund pays the first \$900,000 of each and every claim; after which the Fund purchases Excess Reinsurance to continue payment until closure of said claim. In addition to the Statutory Workers’ Compensation Benefits (for which there is no limit in SD), the SDML Workers’ Compensation Fund provides Employer Liability coverage with a \$2,000,000 combined single limit. The Fund provides assistance to their members for Safety Programs, Claims Management, Return to Work Programs, and additional services that they may request.

Randall Community Water District
Notes to Financial Statements
December 31, 2024

It is the Randall Community Water District's responsibility 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.

11. 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. All Generational retirement benefits that do not meet the above criteria may be payable

**Randall Community Water District
Notes to Financial Statements
December 31, 2024**

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 than 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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater than 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. The District's share of contributions to the SDRS for the fiscal years ended December 31, 2024, 2023 and 2022, equal to required contributions each year, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2024 | \$ 129,445 |
| 2023 | \$ 108,752 |
| 2022 | \$ 94,717 |

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

At June 30, 2024, SDRS is 100.0% 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, 2024 and reported by the District as of December 31, 2024 are as follows:

Randall Community Water District
Notes to Financial Statements
December 31, 2024

| | |
|---|-------------------|
| Proportionate share of pension liability | \$ 10,542,735 |
| Less proportionate share of net pension restricted for pension benefits | <u>10,545,596</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (2,861)</u> |

At December 31, 2024, the District reported a liability (asset) of \$(2,861) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of as of June 30, 2024 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, 2024 the District’s proportion was 0.070670% which is an increase of 0.004366% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the District recognized pension expense (reduction of pension expense) of \$53,747. At December 31, 2024 the District reported deferred outflows or resources and deferred inflows or resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 264,903 | \$ - |
| Changes in assumption | 47,165 | 359,516 |
| Net difference between projected and actual earnings on pension plan investments | 107,755 | - |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 12 | 17,420 |
| District contributions subsequent to measurement date | <u>70,355</u> | <u>-</u> |
| | <u>\$ 490,190</u> | <u>\$ 376,936</u> |

At December 31, 2024, there is \$70,355 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, 2025. 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, | |
|-------------------------|------------------|
| 2025 | \$ (107,995) |
| 2026 | 131,784 |
| 2027 | 11,067 |
| 2028 | 8,044 |
| Total | <u>\$ 42,900</u> |

Randall Community Water District
Notes to Financial Statements
December 31, 2024

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2024 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 | 1.71% |

Mortality Rates

Mortality rates were based on the 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, 2024 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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

**Randall Community Water District
Notes to Financial Statements
December 31, 2024**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|----------------------|--|
| Public Equity | 56.3% | 3.6% |
| Investment Grade Debt | 22.8% | 2.3% |
| High Yield Debt | 7.0% | 2.8% |
| Real Estate | 12.0% | 4.0% |
| Cash | 1.9% | 0.8% |
| Total | 100% | |

Discount Rate:

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

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

The following presents the 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:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|---------------|
| District's proportionate share of the net pension liability (asset) | \$1,453,655 | (\$2,861) | (\$1,194,744) |

Pension Plan Fiduciary Net Position:

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

**Randall Community Water District
Schedule of the District Contributions**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 129,445 | \$ 108,752 | \$ 94,717 | \$ 73,996 | \$ 74,705 | \$ 52,497 | \$ 56,116 | \$ 53,518 | \$ 45,890 | \$ 42,236 |
| Contributions in relation to the contractually required contribution | <u>\$ 129,445</u> | <u>\$ 108,752</u> | <u>\$ 94,717</u> | <u>\$ 73,996</u> | <u>\$ 74,705</u> | <u>\$ 52,497</u> | <u>\$ 56,116</u> | <u>\$ 53,518</u> | <u>\$ 45,890</u> | <u>\$ 42,236</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,157,406 | \$ 1,812,022 | \$ 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% | 6% | 6% |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|--------------|
| District's proportion of the net pension liability/asset | 0.0706700% | 0.0663040% | 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) | \$ (2,861) | \$ (6,472) | \$ (5,757) | \$ (418,602) | \$ (2,084) | \$ (4,465) | \$ (1,060) | \$ (3,616) | \$ 134,259 | \$ (145,765) |
| District's covered payroll | \$ 1,925,716 | \$ 1,710,157 | \$ 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 | 0.15% | 0.38% | 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) | 100.00% | 100.10% | 100.10% | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.10% |

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

Changes from Prior Valuation

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023 Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

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

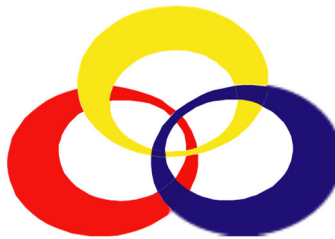
Actuarial Assumption Changes

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, 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%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.



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, 2024, 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 September 8, 2025.

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.

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 2024-001 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

September 8, 2025

**Randall Community Water District
Schedule of Findings and Responses
For the year ended December 31, 2024**

Financial Statement Findings

Finding 2024-001: Material Weakness – Preparation of Financial Statements and Footnotes and Material Proposed Adjustments to the Financial Statements.

Criteria: The financial statements are the responsibility of Water District’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 grant income, 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 Water District.

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 Water District is reviewing the financial statements, we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the Water District 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, 2024**

Prior Audit Findings:

Finding 2023-001 Preparation of Financial Statements and Footnotes and Material Proposed Adjustments to the Financial Statements.

Current Status: This finding has not been resolved as of December 31, 2024, and is restated as current year finding 2024-001.

**Randall Community Water District
Corrective Action Plan
For the year ended December 31, 2024**

Finding 2024-001

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 and accompanying notes. 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 any adjusting and passed journal entries prepared or identified by the auditor.

Anticipated Completion Date: Ongoing