

**TM RURAL WATER DISTRICT**  
P.O. BOX 445  
PARKER, SOUTH DAKOTA 57053

**AUDIT REPORT**

DECEMBER 31, 2023

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TM RURAL WATER DISTRICT  
Parker, South Dakota

DISTRICT OFFICIALS  
December 31, 2023

<u>BOARD MEMBERS:</u>		<u>TERM EXPIRES:</u>
Greg Wirth	President	February 2026
Dennis R. Johnson	Vice-President	February 2024
Steve Knutson	Secretary	February 2024
Greg Nugteren	Treasurer	February 2024
Robin Christiansen	Member	February 2025
Dennis M. Johnson	Member	February 2026
Curt Matthies	Member	February 2026

MANAGER:  
Jay Jorgensen

*Schoenfish & Co., Inc.*

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

Governing Board  
TM Rural Water District  
Parker, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the TM Rural Water District (District), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 10, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 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 did not identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as 2023-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and noncompliance with which could have a direct and material effect on the determination of 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*.

#### District's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit. The District's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
September 10, 2024

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2023-001.

*Schoenfish & Co., Inc.*

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control Related Finding – Material Weakness:Finding Number 2023-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2015.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Bookkeeper collects receipts and makes deposits. The Bookkeeper records receipts, posts receipts in the accounting records, reconciles bank statements, and prepares financial statements.

Potential Effect of Condition:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the TM Rural Water District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Client's Response:

The TM Rural Water District Board President, Greg Wirth, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the TM Rural Water District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and will be developing policies to address the issue.

CLOSING CONFERENCE

The contents of this report were discussed with the Manager and the Bookkeeper during the course of the audit and at the conclusion of the audit.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
District of TM Rural Water District  
Parker, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of TM Rural Water District (District) as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of TM Rural Water District, as of December 31, 2023, and the respective changes in financial position and 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Management's Discussion and Analysis (MD&A) 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.

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### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Operating Expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Report on Comparative Information

We have previously audited the TM Rural Water District's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2023. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
September 10, 2024

*Schoenfish & Co., Inc.*

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TM RURAL WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Our discussion and analysis of the TM Rural Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2023. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis

**Overview of the Basic Financial Statements**

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position.*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information that shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges. It also can be used to determine the District's creditworthiness.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Financial Highlights**

During the year ending December 31, 2023, the District's operating revenues increased by \$98,680, operating expenses decreased by \$142,765, and nonoperating revenue and construction income increased by \$65,207, resulting in a \$443,893 increase in net position.

### **Financial Analysis of the District**

#### **Net Position**

The District's net position increased between fiscal years 2022 and 2023 by \$443,893.

**Table A-1  
TM Rural Water District  
Statement of Net Position**

	2021	2022	2023
Current Assets	\$ 3,410,622	\$ 3,787,474	\$ 3,749,963
Capital Assets, Net of Accumulated Depreciation	17,569,590	16,937,322	17,062,222
Other Assets	930,652	771,843	684,436
<b>Total Assets</b>	<b>\$ 21,910,864</b>	<b>\$ 21,496,639</b>	<b>\$ 21,496,621</b>
Current Liabilities	\$ 709,125	\$ 659,007	\$ 241,560
Non-current Liabilities	1,220,009	718,661	692,196
<b>Total Liabilities</b>	<b>\$ 1,929,134</b>	<b>\$ 1,377,668</b>	<b>\$ 933,756</b>
Net Investment in Capital Assets	\$ 15,719,665	\$ 15,736,335	\$ 16,365,586
Restricted	157,000	95,000	32,000
Unrestricted	4,105,066	4,287,636	4,165,278
<b>Total Net Position</b>	<b>\$ 19,981,731</b>	<b>\$ 20,118,971</b>	<b>\$ 20,562,864</b>
Beginning Net Position	\$ 19,701,423	\$ 19,981,731	\$ 20,118,971
Change in Net Position	\$ 280,308	\$ 137,240	\$ 443,893

## Change in Net Position

The District's revenues primarily come from water sales.

The District's operating revenue increased in 2023 by \$98,680 to \$2,982,687. Operating expense decreased by \$142,765 in 2023, due to a decrease in maintenance costs.

The District's non-operating revenue (expense) increased by \$134,517, due to the decrease in interest expense and an increase in the fair value of the NTCA prepaid retirement account and interest income.

**Table A-2**  
**TM Rural Water District**  
**Statement of Revenue, Expense and Change in Net Position**

	2021	2022	2023
Operating Revenue			
Charges for Goods and Services	\$ 2,909,626	\$ 2,863,210	\$ 2,965,983
Miscellaneous Income	13,128	20,797	16,704
Total Operating Revenue	<u>\$ 2,922,754</u>	<u>\$ 2,884,007</u>	<u>\$ 2,982,687</u>
Operating Expenses	<u>\$ 2,818,101</u>	<u>\$ 2,936,323</u>	<u>\$ 2,793,558</u>
Operating Income (Loss)	<u>\$ 104,653</u>	<u>\$ (52,316)</u>	<u>\$ 189,129</u>
Nonoperating Revenue (Expenses)			
Interest Income	\$ 2,825	\$ 26,931	\$ 80,951
Miscellaneous Fees	55,730	54,374	48,919
Gain on Disposal of Assets	14,491	7,482	0
Interest Expense	(60,075)	(45,656)	(27,243)
Net Increase (Decrease) in FV of NTCA Account	45,900	(43,902)	31,119
Total Nonoperating Revenue (Expenses)	<u>\$ 58,871</u>	<u>\$ (771)</u>	<u>\$ 133,746</u>
Income/(Loss) Before Contributions	\$ 163,524	\$ (53,087)	\$ 322,875
Capital Contributions & Construction Income	116,784	190,327	121,018
Change in Net Position	<u>\$ 280,308</u>	<u>\$ 137,240</u>	<u>\$ 443,893</u>
Net Position Ending	<u>\$ 19,981,731</u>	<u>\$ 20,118,971</u>	<u>\$ 20,562,864</u>

## Capital Assets

As of December 31, 2023, the District had invested \$17,062,222 in capital assets, net of accumulated depreciation. This represents a net increase of \$124,900, mostly due to a building being built.

**Table A-3**  
**TM Rural Water District**  
**Capital Assets**

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Land	\$ 214,126	\$ 214,126	\$ 214,126
Wells	\$ 1,463,704	\$ 1,466,363	\$ 1,466,363
Storage	2,471,052	2,471,052	2,471,052
Treatment Plant Building	12,057,964	12,057,964	12,057,964
Distribution System	20,570,620	20,769,732	21,148,507
Total Utility Plant	\$ 36,563,340	\$ 36,765,111	\$ 37,143,886
Less: Accumulated Depreciation	(19,483,287)	(20,455,064)	(21,298,696)
Construction Work in Progress	89,273	140,231	165,784
Total Utility Plant Assets, Net of Depreciation	<u>\$ 17,169,326</u>	<u>\$ 16,450,278</u>	<u>\$ 16,010,974</u>
Buildings	\$ 116,995	\$ 116,995	\$ 755,597
Vehicles	229,011	297,334	309,744
Office Equipment	83,180	83,180	83,180
Other Equipment	487,148	568,087	581,250
Total Other Assets	\$ 916,334	\$ 1,065,596	\$ 1,729,771
Less: Accumulated Depreciation	(730,196)	(792,678)	(892,649)
Total Other Assets, Net of Depreciation	<u>\$ 186,138</u>	<u>\$ 272,918</u>	<u>\$ 837,122</u>
Total Capital Assets, Net of Depreciation	<u>\$ 17,569,590</u>	<u>\$ 16,937,322</u>	<u>\$ 17,062,222</u>

## **Debt Administration**

### **Long Term Debt**

At December 31, 2023, the District had \$719,131 in debt outstanding, a decrease of \$504,752 from the prior year. More detailed information about the District's long-term debt is presented in Note 6 to the Financial Statements.

**Table A-4**  
**TM Rural Water District**  
**Long Term Debt**

	Debt Payable 12/31/2022	Additions	Deletions	Debt Payable 12/31/2023
Revenue Bond - Series 2013	479,686		479,686	0
SRF - DW#1	721,301		24,665	696,636
Compensated Absences	22,896		401	22,495
	<u>\$1,223,883</u>	<u>\$0</u>	<u>\$504,752</u>	<u>\$719,131</u>

### **Economic Factors**

The District's excellent financial condition continues as the District proceeds through another year. Water rates for the District's customers have been set to provide the District with an adequate cash flow to finance operating expenses as well as providing for the coverage of the debt incurred by the District.

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

This financial report is designed to provide our citizens, ratepayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the TM Rural Water District's Office at Box 445 Parker, South Dakota 57053, (605) 297-3334.

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF NET POSITION**  
**December 31, 2023 and December 31, 2022**

	2023	2022
<b>ASSETS:</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	3,377,507.84	3,475,218.97
Accounts Receivable	223,639.10	195,284.32
Plant Material Inventory	126,239.75	95,922.96
Prepaid Expenses	22,576.12	21,047.85
Total Current Assets	<u>3,749,962.81</u>	<u>3,787,474.10</u>
<u>Capital Assets, Net of Accumulated Depreciation</u>	<u>17,062,221.51</u>	<u>16,937,321.71</u>
<u>Other Assets</u>		
Prepaid B-Y Water Fees	179,731.14	268,543.14
Prepaid NTCA Surcharges	321,121.05	313,161.24
Notes Receivable - City of Viborg	183,584.19	190,139.00
Total Other Assets	<u>684,436.38</u>	<u>771,843.38</u>
<b>TOTAL ASSETS</b>	<b><u>21,496,620.70</u></b>	<b><u>21,496,639.19</u></b>
<b>LIABILITIES:</b>		
<u>Current Liabilities</u>		
Accounts Payable	147,225.93	107,674.81
Accrued Payroll Payable	18,161.10	16,088.62
Accrued Excise and Sales Tax Payable	133.04	104.50
Prepaid Water Sales & Income	30,626.93	10,787.82
Accrued Compensated Absences Payable	20,000.00	20,000.00
Current Portion of Long-Term Debt	25,412.82	504,350.84
Total Current Liabilities	<u>241,559.82</u>	<u>659,006.59</u>
<u>Long-Term Liabilities</u>		
State Revolving Fund, Net of Current Portion	671,222.81	696,635.63
Accrued Compensated Absences	2,495.17	2,896.69
Total Long-Term Debt, Net of Current Portion	<u>673,717.98</u>	<u>699,532.32</u>
Customer Deposits	18,478.60	19,128.60
Total Long-Term Liabilities	<u>692,196.58</u>	<u>718,660.92</u>
<b>TOTAL LIABILITIES</b>	<b><u>933,756.40</u></b>	<b><u>1,377,667.51</u></b>
<b>NET POSITION:</b>		
<u>Net Investment in Capital Assets</u>	<u>16,365,585.88</u>	<u>15,736,335.24</u>
<u>Restricted Net Position, Restricted For:</u>		
Restricted per Bond Agreements:		
Reserved for Revenue Bonds Payable	32,000.00	95,000.00
Total Restricted Net Position	<u>32,000.00</u>	<u>95,000.00</u>
<u>Unrestricted Net Position</u>	<u>4,165,278.42</u>	<u>4,287,636.44</u>
<b>TOTAL NET POSITION</b>	<b><u>20,562,864.30</u></b>	<b><u>20,118,971.68</u></b>

The notes to the financial statements are an integral part of this statement.



**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Operating Revenue:</u>		
Charges for Goods and Services Pledged as Security for Revenue Debt	2,965,982.81	2,863,209.50
Miscellaneous Income	16,704.31	20,797.43
Total Operating Revenue	<u>2,982,687.12</u>	<u>2,884,006.93</u>
<u>Operating Expenses:</u>		
Personnel	583,723.88	533,794.02
Administrative	97,873.01	89,918.31
Professional Services	80,408.12	32,384.16
Purchased Water	736,212.36	754,120.16
Treatment/Distribution	255,074.01	229,720.29
Maintenance	96,662.47	223,050.37
Depreciation	943,603.76	1,073,335.72
Total Operating Expenses	<u>2,793,557.61</u>	<u>2,936,323.03</u>
Operating Income (Loss)	<u>189,129.51</u>	<u>(52,316.10)</u>
<u>Nonoperating Revenue (Expense):</u>		
Interest Income	80,950.72	26,930.92
Feasibility/Application Fees	45,700.00	49,425.00
Relocation/Service Charges	1,969.00	3,773.97
Transfer Fees	1,250.00	1,175.00
Gain on Disposal of Assets	0.00	7,482.48
Net Increase (Decrease) in the Fair Value of NTCA Prefunding Account	31,119.35	(45,655.67)
Interest Expense	<u>(27,243.51)</u>	<u>(43,902.04)</u>
Total Nonoperating Revenue (Expense)	<u>133,745.56</u>	<u>(770.34)</u>
Net Income Before Contributions	<u>322,875.07</u>	<u>(53,086.44)</u>
Construction Income - Add-Ons - Distribution System	121,017.55	190,327.29
	<u>121,017.55</u>	<u>190,327.29</u>
Change in Net Position	<u>443,892.62</u>	<u>137,240.85</u>
Net Position - Beginning	<u>20,118,971.68</u>	<u>19,981,730.83</u>
NET POSITION - ENDING	<u>20,562,864.30</u>	<u>20,118,971.68</u>

The notes to the financial statements are an integral part of this statement.

**TM RURAL WATER DISTRICT**  
**Parker, South Dakota**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2023 and 2022**

	2023	2022
<u>Cash Flows From Operating Activities:</u>		
Cash Receipts from Customers	2,956,817.14	2,876,282.38
Cash Payments to Employees for Services	(589,611.21)	(462,306.41)
Cash Payments to Suppliers of Goods and Services	(1,169,683.37)	(1,181,222.31)
Miscellaneous Income	16,704.31	20,797.43
Net Cash Provided (Used) by Operating Activities	1,214,226.87	1,253,551.09
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Feasibility/Application Fees	45,700.00	49,425.00
Relocation/Service Charges Income	1,969.00	3,773.97
Transfer Fees	1,250.00	1,175.00
Net Cash Provided (Used) by Non-Capital Financing Activities	48,919.00	54,373.97
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Contributions from Customers, Other Governments and Construction Income	121,017.55	190,327.29
Acquisition of Utility Plant Assets	(404,328.05)	(252,729.00)
Purchase of Equipment and Buildings	(664,175.51)	(188,338.42)
Sale of Equipment and Buildings	0.00	7,482.48
Principal Paid on Bonds	(504,752.36)	(646,041.57)
Interest Paid	(27,243.51)	(43,902.04)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,479,481.88)	(933,201.26)
<u>Cash Flows From Investing Activities:</u>		
Principle Received on Notes Receivable	6,554.81	6,360.40
Decrease in Certificates of Deposits	0.00	300,000.00
Net Increase (Decrease) in the Fair Value of NTCA Prefunding Account	31,119.35	(45,655.67)
Interest Income	80,950.72	26,930.92
Net Cash Provided (Used) by Investing Activities	118,624.88	287,635.65
Net Increase (Decrease) in Cash and Cash Equivalents	(97,711.13)	662,359.45
Cash Balance at Beginning of Year	3,475,218.97	2,812,859.52
Cash Balance at End of Year	3,377,507.84	3,475,218.97
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</u>		
Operating Income (Loss)	189,129.51	(52,316.10)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	943,603.76	1,073,335.72
(Increase) Decrease in Accounts Receivable	(28,354.78)	11,168.59
(Increase) Decrease in Material Inventory	(30,316.79)	(21,767.61)
(Increase) Decrease In Prepaid Expenses	(1,528.27)	(3,893.25)
(Increase) Decrease In Prepaid NTCA Surcharges	(7,959.81)	63,636.10
Increase (Decrease) in Accounts Payable	39,579.66	84,819.84
Increase (Decrease) in Prepaid Water Sales	19,839.11	1,798.14
Increase (Decrease) in Customer Deposits	(650.00)	106.15
Increase (Decrease) in Accrued Payroll, Vacation, & Benefits	2,072.48	7,851.51
(Increase) Decrease in Prepaid Water Fees	88,812.00	88,812.00
Net Cash Provided (Used) by Operating Activities	1,214,226.87	1,253,551.09
<u>Cash and Cash Equivalents are presented on the Statement of Net Position as follows:</u>		
	3,377,507.84	3,475,218.97
	3,377,507.84	3,475,218.97

The notes to the financial statements are an integral part of this statement.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Organization

The TM Rural Water District (the "District") is 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 was organized to construct or acquire a water system to conserve, control and distribute potable water to homes, pastures, feedlots, and elsewhere deemed feasible. The system consists of pumps, filtering and treatment plants, storage tanks, mains, pipelines, booster pumps and other water works deemed necessary to pump, filter, treat, store and distribute potable water.

The District provides water to users in primarily Turner and McCook counties in South Dakota and has its office in Parker, South Dakota. An elected Board of Directors consisting of seven directors governs the District. The District is authorized to exercise the power of eminent domain, and is a political subdivision of the State of South Dakota.

The District has no taxing powers and has no power to levy assessments. No governmental authority will have the power to levy or collect taxes of assessments for the purpose of paying, in whole or in part, any indebtedness or obligations incurred by the District in which the District is in any manner liable. Nor any privately owned property within or outside the District, or the owner thereof, nor any city, town, county, irrigation district, political subdivision, or public or private corporations will be liable for any such District indebtedness or obligation beyond the liability to perform the obligations of any express contract between such owner or public or private organizations and the District.

b. Financial Reporting Entity

The reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the above criteria, the District does not have any component units that require inclusion in the financial statements. Conversely, the District is not a component unit of another government.

c. Basis of Presentation

The accounting policies of the TM Rural Water District conform to U.S. generally accepted accounting principles applicable to governmental enterprise funds.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

d. 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.

The District, as a utility enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The accompanying financial statements reflect the flow of economic resources measurement focus, applied on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues consist principally of water sales to customers. Expenses include the costs of operating the District, including the purchase and treatment of water, personnel, administration, professional services, maintenance, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or contributions. Non-operating revenues and expenses include interest income and interest expense amounts and contributions include construction revenue from customers and grants.

e. Deposits and Investments, Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

Deposits — The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and may be in the form of demand or time deposits.

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

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

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

Fair Value Measurement – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level one inputs are quoted prices in active markets for identical assets; Level two inputs are significant other observable inputs; Level three inputs are significant unobservable inputs. The district does not have any investments that are subject to the fair value measurement standards of GASB Statement 72.

The District's investments, carried at market, at December 31, 2023 were as follows:

	<u>Credit Rating</u>	<u>2023</u>
<u>External Investment Pool</u>		
South Dakota Public Funds Investment Trust	Unrated	<u>\$ 3,196,807.08</u>
Total Investments		<u><u>\$ 3,196,807.08</u></u>

The South Dakota Public Funds Investment Trust (SD FIT) is an external investment pool that was established under SDCL 1-24. A nine-member board regulates it with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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 for the District, as discussed above. The District's investment policy is to invest funds in excess of amounts needed for day to day operations in CDs purchased from banks offering the best rates, or in the South Dakota Public Funds Investment Trust.

Concentration of Credit Risk — The District places no limit on the amount that may be invested in any one issuer.

f. Accounts Receivable

No allowance for bad debt has been provided because estimated uncollectible receivables are not considered material. Accounts receivable consists of the following at December 31, 2023:

	<u>2023</u>
Water	\$ 205,489
Construction charges	18,150
	<u>\$ 223,639</u>

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

g. Inventory

Inventory consists of material and supplies used in the construction and maintenance of the utility plant and water lines and are valued at the lower of cost or market using the first-in, first-out method.

h. Capital Assets:

All capital assets are recorded at historical cost. Donated capital assets are valued at their acquisition value on the date donated. As of December 31, 2023, there were no costs determined by estimations of the original cost. The cost of the distribution system includes the primary construction and installation of the water lines, pits, meters, engineering services, legal expenditures directly related to construction, and other items necessary in the distribution of the water. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The District's policy is to capitalize those assets with a useful life greater than one year. The District generally capitalized assets with an initial acquisition cost of \$1,000 or more.

Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Construction costs of water lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the balance sheet.

Depreciation has been provided over the following estimated useful lives using the straight-line method.

Utility Plant:	Wells	20 – 28 years
	Storage	35 years
	Treatment Plant	20 – 35 years
	Distribution System	15 – 40 years
Other Property:	Office Building	31.5 years
	Vehicles	5 years
	Office Equipment	5 – 12 years
	Other Equipment	5 – 7 years

i. Net Position Classifications

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.

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

3. Unrestricted net position – Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets." Unlike the restricted net position, the Board of Directors has discretion in determining the use of any unrestricted net position. The Board may at any time change or eliminate amounts established for these purposes.

j. Application of Net Position

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

k. Fund Revenue and Expense Classifications

In the Statements of Revenues and Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

l. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

m. Cash Flows

For the purpose of financial reporting, the District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Investments in money market open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

n. Budgets

The District is not legally required to adopt a budget; however, the District is contractually required by Rural Development to approve an annual operating budget. The budgets are prepared in accordance with Rural Development requirements and, therefore, are not comparable to the GAAP financial presentation in this report. Therefore, budgetary data is not included in the basic financial statements.

o. Accumulated Unpaid Vacation and Sick Pay

Employees earn annual leave at the rate of one week after one year of employment, two weeks after two years and three weeks after five years of employment. Upon termination employees are entitled to receive compensation for their accrued annual leave. This liability is reflected in the financial statements. Employees are allowed to carry over three weeks of vacation to be used in the subsequent year. Sick leave is earned by the employees at the rate of twelve days per year

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

cumulative to sixty days. Upon termination, employees are not entitled to receive compensation for their accrued sick leave.

## **2. EMPLOYEE RETIREMENT PLANS**

The District is a member system in the National Telephone Cooperative Association. The National Telephone Cooperative Association sponsors cost-sharing multiple employer retirement plans that the District has adopted for its employees pursuant to SDCL 46A-9-78. One is the Retirement and Security Program. All employees with over two years of service and who have worked over 1,000 hours in the plan year are eligible to participate. The program provides retirement and survivors' benefits and is considered a defined benefit plan.

There is no requirement for vesting. Authority for the plan is under IRS code sections 414(b), (c), (m) or (o). The organization issues a financial report that includes financial statements and required supplementary information. This report may be obtained at NTCA, BBT Building, Suite 300, Asheville, North Carolina, 28801.

Each participating organization may choose its amount of contribution. The contribution is determined on the basis of the employee's salary. In 2023, the District contributed 16.45% of the employees' salary (9.9% plus a 6.55% surcharge). The employee is not required to contribute to the plan. Contributions expensed for the years ended December 31, 2023, 2022, and 2021 were \$67,804.17, \$48,359.61, and \$49,185.64, respectively.

The District also participates in the Money Purchase Segment of the Savings Plan sponsored by the National Telephone Cooperative Association. This multiple employer plan allows eligible employees to make a post-tax contribution of 1% of their compensation to the plan, which the District is required to match. The employee may make additional voluntary contributions up to 10% of compensation. The District does not match these voluntary contributions. For the years ended December 31, 2023, 2022, and 2021, contributions for the 1% match were \$3,684.30, \$3,471.99, and \$3,031.56, respectively.

## **3. NOTE RECEIVABLE**

The District entered into a note receivable agreement with the City of Viborg for the Southeast Improvement Project in February 2014 for \$240,629.19 with monthly payments of \$1,016.45 to be paid over a thirty year period. A summary of the change in note receivable for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-Type Activities:					
Note Receivable - City of Viborg	190,139.00		6,554.81	183,584.19	6,755.17
Total Business-Type Activities	190,139.00	0.00	6,554.81	183,584.19	6,755.17

See Independent Auditor's Report.



**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

The following are the minimum payments required to be paid to the District for the existing note receivable:

Year Ending December 31,	Note Receivable City of Viborg	
	<u>Principal</u>	<u>Interest</u>
2024	6,755.17	5,442.23
2025	6,961.70	5,235.70
2026	7,174.51	5,022.89
2027	7,393.82	4,803.58
2028	7,619.86	4,577.54
2029-2033	41,739.11	19,247.89
2034-2038	48,521.13	12,465.87
2039-2043	56,405.20	4,581.80
2044	1,013.69	2.76
Totals	<u>183,584.19</u>	<u>61,380.26</u>

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

**4. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Balance 1/1/2023	Increases	Decreases	Balance 12/31/2023
Capital Assets, Not Being Depreciated:				
Land	214,125.73			214,125.73
Construction Work in Progress	140,230.96	141,370.43	(115,817.25)	165,784.14
Total Capital Assets, Not Being Depreciated	<u>354,356.69</u>	<u>141,370.43</u>	<u>(115,817.25)</u>	<u>379,909.87</u>
Capital Assets, Being Depreciated:				
Utility Plant Assets:				
Wells	1,466,362.90			1,466,362.90
Storage	2,471,052.55			2,471,052.55
Treatment Plant Building	12,057,963.99			12,057,963.99
Distribution System	20,769,732.19	378,774.87		21,148,507.06
Total Utility Plant Assets	<u>36,765,111.63</u>	<u>378,774.87</u>	<u>0.00</u>	<u>37,143,886.50</u>
Less Accumulated Depreciation for:				
Wells	(1,004,132.07)	(53,951.64)		(1,058,083.71)
Storage	(1,151,646.81)	(57,533.67)		(1,209,180.48)
Treatment Plant Building	(6,389,720.93)	(261,319.76)		(6,651,040.69)
Distribution System	(11,909,563.89)	(470,827.07)		(12,380,390.96)
Total Accumulated Depreciation	<u>(20,455,063.70)</u>	<u>(843,632.14)</u>	<u>0.00</u>	<u>(21,298,695.84)</u>
Total Utility Plant Assets, Net	<u>16,310,047.93</u>	<u>(464,857.27)</u>	<u>0.00</u>	<u>15,845,190.66</u>
Other Assets:				
Buildings	116,994.98	638,601.91		755,596.89
Vehicles	297,333.90	12,410.00	(39,076.90)	270,667.00
Office Equipment	83,179.95			83,179.95
Other Equipment	568,086.52	13,163.60		581,250.12
Total Other Assets	<u>1,065,595.35</u>	<u>664,175.51</u>	<u>(39,076.90)</u>	<u>1,690,693.96</u>
Less Accumulated Depreciation for:				
Buildings	(97,024.74)	(12,161.24)		(109,185.98)
Vehicles	(150,734.56)	(44,595.16)	39,076.90	(156,252.82)
Office Equipment	(79,317.53)	(1,731.40)		(81,048.93)
Other Equipment	(465,601.43)	(41,483.82)		(507,085.25)
Total Accumulated Depreciation	<u>(792,678.26)</u>	<u>(99,971.62)</u>	<u>39,076.90</u>	<u>(853,572.98)</u>
Total Other Assets, Net	<u>272,917.09</u>	<u>564,203.89</u>	<u>0.00</u>	<u>837,120.98</u>
Total Capital Assets Being Depreciated, Net	<u>16,582,965.02</u>	<u>99,346.62</u>	<u>0.00</u>	<u>16,682,311.64</u>
Total Capital Assets, Net	<u>16,937,321.71</u>	<u>240,717.05</u>	<u>(115,817.25)</u>	<u>17,062,221.51</u>

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

Construction Work in Progress at December 31, 2023, is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2023	Committed	Required Future Financing
State Water Plan	\$ 8,448,000.00	\$ 165,784.14		\$ 8,282,215.86
<b>TOTAL</b>	<b>\$ 8,448,000.00</b>	<b>\$ 165,784.14</b>	<b>\$0.00</b>	<b>\$ 8,282,215.86</b>

### 5. CUSTOMER DEPOSITS

Customers who do not own their property but rent must make a deposit of \$100 before the water is hooked up. When the customer moves and if the water bill is current, they are refunded their deposit.

### 6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-Type Activities:					
Revenue Bonds, Series 2013	479,686.33		479,686.33	0.00	0.00
SRF - Drinking Water # 1	721,300.14		24,664.51	696,635.63	25,412.82
Total Debt	1,200,986.47	0.00	504,350.84	696,635.63	25,412.82
Accrued Compensated Absences	22,896.69		401.52	22,495.17	20,000.00
Total Business-Type Activities	1,223,883.16	0.00	504,752.36	719,130.80	45,412.82

The debt payable at December 31, 2023, is comprised of the following individual issues:

#### State Revolving Fund Drinking Water Loan #1

The District has a loan from the State Revolving Fund for \$768,472 at an interest rate of 3.00 percent. The loan is due in quarterly installments beginning April 2014 through January 2044.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

The annual requirements to amortize all long-term debt outstanding as of December 31, 2023, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2023

Year Ending December 31,	State Revolving Fund - Drinking Water # 1		Totals	
	Principal	Interest	Principal	Interest
2024	25,412.82	20,614.98	25,412.82	20,614.98
2025	26,183.83	19,843.97	26,183.83	19,843.97
2026	26,978.23	19,049.57	26,978.23	19,049.57
2027	27,796.73	18,231.07	27,796.73	18,231.07
2028	28,640.04	17,387.76	28,640.04	17,387.76
2029-2033	156,773.40	73,365.60	156,773.40	73,365.60
2034-2038	182,042.78	48,096.22	182,042.78	48,096.22
2039-2043	211,385.20	18,753.80	211,385.20	18,753.80
2044-2048	11,422.60	84.35	11,422.60	84.35
Totals	<u>696,635.63</u>	<u>235,427.32</u>	<u>696,635.63</u>	<u>235,427.32</u>

## 7. COMMITMENTS

### B-Y Water District

In 1994, TM Rural Water District and B-Y Water District entered into a 40-year water supply agreement. Under the agreement, TM Rural Water District can purchase up to 640,000 gallons per day. If B-Y Water District deems it has it available, TM Rural Water District can purchase additional gallons up to 1,250,000 gallons per day. In addition to the cost of any water purchases, TM Rural Water District is required to pay a monthly minimum payment of \$7,401.00 to the B-Y Water District through approximately 2036. In 2013, TM Rural Water District prepaid the balance of their commitment to B-Y Water District. The minimum fee totaling \$88,812.00 for the year will be included in "Purchased Water" expense for all future years until the commitment expires.

## 8. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2023 was as follows:

Major Purposes:

Debt Reserve Purposes	<u>\$ 32,000.00</u>
Total Restricted Net Position	<u>\$ 32,000.00</u>

These balances are restricted due to loan agreements.

See Independent Auditor's Report.

**TM RURAL WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**  
**(Continued)**

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023, the District managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

The following policies are in effect:

	<u>Amount of Insurance</u>
Property Insurance	\$16,739,102
Liability Insurance	\$1,000,000 / \$3,000,000
Crime (Blanket employee dishonesty)	\$ 500,000
Umbrella Insurance	\$3,000,000
Directors and Officers Liability	\$1,000,000 / \$3,000,000

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation:

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

Unemployment Benefits:

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

**10. SUBSEQUENT EVENTS**

In 2024, the District was awarded \$3,807,308 in federal funds for Water System Improvements.

On January 1, 2024, the District withdrew from the NTCA Retirement and Security Program and will transfer its allocable assets to the South Dakota Retirement System.

**TM RURAL WATER DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Operating Expenses:</u>		
Personnel		
Salary - Administrative	149,820.90	142,686.25
Wages - Operators	224,420.24	212,650.52
Employee Benefits	80,278.35	69,906.69
Retirement Contributions	71,488.47	51,831.60
Directors Fees	18,544.75	20,427.35
Payroll Taxes	28,088.77	26,970.83
Directors Expense	11,082.40	9,320.78
Total Personnel	<u>583,723.88</u>	<u>533,794.02</u>
Administrative		
Insurance	32,398.27	24,895.02
Dues	10,786.58	10,933.43
Newsletter	3,659.13	2,914.87
Postage	964.66	1,807.40
Office - Supplies	3,162.09	2,467.23
Billing Costs	26,958.44	27,814.88
Office - Telephone	2,489.40	2,489.40
Training / Meeting	10,235.29	6,682.14
Advertising - Legal and Promotion	616.44	718.94
Office - Utilities	2,299.83	2,490.91
Office - Maintenance	1,675.73	484.37
Miscellaneous	2,627.15	6,219.72
Total Administrative	<u>97,873.01</u>	<u>89,918.31</u>
Professional Services		
Engineering	41,667.90	14,325.20
Accounting & Computer	20,628.77	15,708.96
Legal	18,111.45	2,350.00
Total Professional Services	<u>80,408.12</u>	<u>32,384.16</u>
Purchased Water	<u>736,212.36</u>	<u>754,120.16</u>
Treatment / Distribution		
Electricity	128,502.94	126,026.04
Lab Testing/Water Supplies	6,419.42	6,324.44
Chemicals	118,755.23	96,016.17
Plant Telephone	1,396.42	1,353.64
Total Treatment / Distribution	<u>255,074.01</u>	<u>229,720.29</u>

**TM RURAL WATER DISTRICT  
SCHEDULES OF OPERATING EXPENSES  
For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Maintenance		
Distribution Maintenance	23,191.45	42,293.08
Vehicle Expense	46,116.41	50,704.78
WTP/Warehouse and Generator Maintenance	20,394.37	122,050.32
Answering Services	3,404.58	3,169.68
One Call	2,495.85	2,381.40
Well Maintenance	729.82	1,773.01
Equipment Expense and Repair	329.99	678.10
Total Maintenance	<u>96,662.47</u>	<u>223,050.37</u>
Depreciation	<u>943,603.76</u>	<u>1,073,335.72</u>
Total Operating Expenses	<u><u>2,793,557.61</u></u>	<u><u>2,936,323.03</u></u>