

Tripp County Water User District

**Independent Auditor's Report
and Financial Statements**

**For the Years Ended
December 31, 2023 and 2022**

Tripp County Water User District

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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***

To the Board of Directors
Tripp County Water User District
Winner, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund Tripp County Water User District, Winner, South Dakota, as of December 31, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise Tripp County Water user District’s basic financial statements and have issued our report thereon dated July 18, 2024.

Report 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 determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tripp County Water User District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Chamberlain, South Dakota
July 18, 2024



Independent Auditor's Report

To the Board of Directors
Tripp County Water User District
Winner, South Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, and each major fund of Tripp County Water User District, Winner, South Dakota, as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Tripp County Water User 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 Tripp County Water User District as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 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 the Management's Discussion and Analysis (MD&A), the Schedule of the Water District Contributions, and the Schedule of the District's Proportionate Share of the Net Pension Liability (asset) to 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 July 18, 2024, 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.



Chamberlain, South Dakota
July 18, 2024

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

Management's Discussion and Analysis

Our discussion and analysis of Tripp County Water User District's financial performance provides an overview of the Water District's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Water District's financial statements, which begin on page 13.

Financial Highlights

- During 2023, the Water District's net capital assets decreased by \$483,113, or -2.21% as a result of water system improvements, equipment purchases & disposals, and depreciation expense. During 2022 net capital assets increased by \$93,361, or 0.4% as a result of water system improvements, equipment purchases & disposals, and depreciation expense.
- For the 2023 fiscal year, water sales for the District were \$3,598,976, a decrease of \$185,434, or -4.9% from 2022, while operating expenses were \$3,088,254, an increase of \$94,476, or 3.2% from 2022. For the 2022 fiscal year, water sales for the District were \$3,784,410, an increase of \$203,192, or 5.7% from 2021, while operating expenses were \$2,993,778, an increase of \$177,187, or 6.3% from 2021.
- The Water District had an increase of \$557,966 in net position in the 2023 fiscal year and an increase of \$983,910 in net position in the 2022 fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position (on pages 13 through 14) provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

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 Statements of Net Position and the Statements 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.

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.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

The Water District as a Whole

Table 1
Net Position

	Business-type Activities		
	2023	2022	2021
Current and other assets	\$ 8,850,718	\$ 8,391,952	\$ 8,081,823
Capital assets	21,399,303	21,882,416	21,789,055
Pension related deferred outflows	1,639,463	--	--
Total assets	\$ 31,889,484	\$ 30,274,368	\$ 29,870,878
Long-term debt outstanding	\$ 13,843,188	\$ 14,427,712	\$ 14,997,634
Other liabilities	805,784	786,544	797,042
Pension related deferred inflows	1,622,434	--	--
Total liabilities	16,271,406	15,214,256	15,794,676
Invested in capital assets, net of debt	6,971,592	6,884,782	6,236,614
Restricted for debt service & reserves	315,275	376,341	432,438
Restricted for NTCA retirement	--	137,872	191,413
Restricted for SDRS pension	40,532	--	--
Unrestricted (deficit)	8,290,679	7,661,117	7,215,737
Total net position	15,618,078	15,060,112	14,076,202
 Total liabilities and net position	 \$ 31,889,484	 \$ 30,274,368	 \$ 29,870,878

Net position of the Water District increased by 3.7% (\$15.62 million compared to \$15.06 million) in 2023. In 2022, net position increased by 6.99% (\$15.06 million compared to \$14.08 million). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$629,562, or 8.22% (\$8.29 million compared to \$7.66 million) in 2023 and increased \$445,380, or 6.17% (\$7.66 million compared to \$7.22 million) in 2022.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

Table 2
Changes in Net Position

	Business-type		
	Activities		
	2023	2022	2021
Revenues			
Program revenues:			
Water sales	\$ 3,598,976	\$ 3,784,410	\$ 3,581,218
Lease	62,319	60,879	60,879
Other operating revenue	446,945	429,706	404,949
Nonoperating revenues:			
Interest income	147,658	53,236	80,766
Gain on sale of assets	13,500	13,932	16,686
Unrealized gain on retirement assets	40,532	--	--
Total Revenues	<u>\$ 4,309,930</u>	<u>\$ 4,342,163</u>	<u>\$ 4,144,498</u>
Expenses			
Operating expenses:			
Cost of sales & service	\$ 1,068,874	\$ 924,236	\$ 958,314
Administrative	711,539	768,681	586,951
Depreciation	1,307,841	1,300,861	1,271,326
Nonoperating expenses:			
Interest expense	350,777	364,475	389,687
Pension buyout	312,933	--	--
Total Expenses	<u>3,751,964</u>	<u>3,358,253</u>	<u>3,206,278</u>
Net Change in Net Position	557,966	983,910	938,220
Net Position - Beginning of Year	<u>15,060,112</u>	<u>14,076,202</u>	<u>13,137,982</u>
Net Position - End of Year	<u>\$ 15,618,078</u>	<u>\$ 15,060,112</u>	<u>\$ 14,076,202</u>

In 2023, the total revenues of the Water District decreased by \$32,233, or -0.7%, mainly from water sales. In 2022, the total revenues of the Water District increased by \$197,655, or 4.8%. The total cost of all programs and services increased by \$393,711, or 11.7% in 2023, compared to an increase of \$151,975, or 4.7% in 2022.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

The Water District's revenues from its operating activities (see Table 2) decrease by \$166,755, or -3.90% in 2023 compared to increase by \$227,949, or 5.63% in 2022, (\$4,108,240 in 2023, and \$4,274,995 in 2022) while operating expenses increased by \$67,945, or 2.27% in 2023 and increased by \$177,187, or 6.29% in 2022.

The Water District's Funds

As the Water District completed the year, it reported a fund balance of \$15,618,078, which was more than \$15,060,112 in 2022. The following events that caused changes in fund balances should be noted:

- As shown in Note 3 to the financial statements, the Water District added capital assets in the amount of \$824,728 this year. The District added capital assets in the amount of \$2,101,967 in 2022.
- As shown in Note 4 to the financial statements, the Water District made principal payments during 2023 of \$569,923. During 2022, the Water district paid principal payments of \$551,631.
- During 2023 and 2022, the Water District also received \$91,839 and \$150,910, respectively, in "Tap Fees" from new hook-ups from its members, which is included as a component of other operating revenue on the statement of changes in net position.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the Water District had \$49,437,191 invested in a broad range of capital assets, including land, buildings, equipment, and the water distribution system. (See Table 3). This amount represents an increase of capital assets owned by the Water District (including additions and deductions) of \$803,072, or 2.91%. At the end of 2022, the Water District had \$48,634,119 invested in a broad range of capital assets, including land, buildings, equipment, and the water distribution system.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Business-type Activities		
	2023	2022	2021
Land	\$ 645,247	\$ 645,247	\$ 645,247
Buildings	457,866	457,866	427,552
Equipment	974,315	902,270	873,512
Construction in progress	1,003,142	657,011	46,417
Water system	46,356,621	45,971,725	45,267,047
	<u>49,437,191</u>	<u>48,634,119</u>	<u>47,259,775</u>
Less depreciation	28,037,888	26,751,703	25,470,720
Totals	<u>\$ 21,399,303</u>	<u>\$ 21,882,416</u>	<u>\$ 21,789,055</u>

Major additions included:

2023: Water system improvements, skid-steer attachments, and satellites.

2022: Water system improvements, a shop heater, a pickup, and building improvements.

Debt

At year-end, the Water District had \$14.43 million in bonds and notes outstanding, versus \$15 million last year and \$15.55 million in 2021 – a decrease of \$569,923, or 3.80% in 2023, and a decrease of \$554,807, or 3.57% in 2022– as shown in Table 4.

Table 4
Bonds and Notes Payable at Year-end

	Business-type Activities		
	2023	2022	2021
Loans payable	\$ 11,331,195	\$ 11,777,942	\$ 12,214,573
2019 Bond Indebtedness, net	<u>3,096,516</u>	<u>3,219,692</u>	<u>3,337,868</u>
Totals	<u>\$ 14,427,711</u>	<u>\$ 14,997,634</u>	<u>\$ 15,552,441</u>

More detailed information about the Water District's long-term liabilities is presented in Note 5 to the financial statements.

Tripp County Water User District
Management's Discussion and Analysis
For the Years Ended
December 31, 2023 and 2022

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 citizens, taxpayers, customers, investors, 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 1052 West 1st Street, Winner, SD 57580.

Tripp County Water User District
Statements of Net Position

	December 31,	
	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,715,240	\$ 7,234,143
Accounts receivable, less allowance for credit losses 2023 \$0.00; 2022 \$0.00	310,613	279,023
Inventory	396,417	359,601
Prepaid expenses	72,314	54,972
Total Current Assets	<u>8,494,584</u>	<u>7,927,739</u>
Restricted Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	315,275	309,574
Retirement plan deposit	--	137,872
Net pension asset	23,503	--
Total Noncurrent Assets	<u>338,778</u>	<u>447,446</u>
Property and Equipment		
Land	645,247	645,247
Buildings	457,866	457,866
Equipment	974,315	902,270
Construction in progress	1,003,142	657,011
Water system	46,356,621	45,971,725
Total Property, Plant, and Equipment	<u>49,437,191</u>	<u>48,634,119</u>
Less accumulated depreciation	<u>28,037,888</u>	<u>26,751,703</u>
Net Property, Plant, and Equipment	<u>21,399,303</u>	<u>21,882,416</u>
Other Noncurrent Assets		
Other noncurrent assets	<u>17,356</u>	<u>16,767</u>
Deferred Outflows of Resources:		
Pension related deferred outflows	<u>1,639,463</u>	<u>--</u>
Total Assets and Deferred Outflows	<u>\$ 31,889,484</u>	<u>\$ 30,274,368</u>

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

Tripp County Water User District
Statements of Net Position (Continued)

	December 31,	
	2023	2022
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 89,747	\$ 82,810
Accrued interest	109,684	114,050
Accrued compensation	15,642	15,058
Current maturities of long-term debt	584,523	569,922
Other current liabilities	<u>6,188</u>	<u>4,704</u>
Total Current Liabilities	<u>805,784</u>	<u>786,544</u>
Noncurrent Liabilities		
Long-term debt	<u>13,843,188</u>	<u>14,427,712</u>
Deferred Inflows of Resources:		
Pension related deferred inflows	<u>1,622,434</u>	<u>--</u>
Net Position		
Net investment in capital assets	6,971,592	6,884,782
Restricted:		
Debt service and reserves	315,275	309,574
NTCA retirement	--	137,872
SDRS pension purposes	40,532	--
Unrestricted	<u>8,290,679</u>	<u>7,727,884</u>
Total Net Position	<u>15,618,078</u>	<u>15,060,112</u>
Total Liabilities and Net Position	<u><u>\$ 31,889,484</u></u>	<u><u>\$ 30,274,368</u></u>

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

Tripp County Water User District
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended	
	December 31,	
	2023	2022
Operating Revenues:		
Water sales	\$ 3,598,976	\$ 3,784,410
Rent	62,319	60,879
Other	446,945	429,706
Total Operating Revenue	<u>4,108,240</u>	<u>4,274,995</u>
Operating Expenses:		
Cost of sales and service	1,068,874	924,236
Administration	711,539	768,681
Depreciation	1,307,841	1,300,861
Total Operating Expenses	<u>3,088,254</u>	<u>2,993,778</u>
Operating Income	<u>1,019,986</u>	<u>1,281,217</u>
Nonoperating Revenues (Expense):		
Interest income	147,658	53,236
Interest expense	(350,777)	(364,475)
Gain on sale of assets	13,500	13,932
Pension buyout	(312,933)	--
Unrealized gain on retirement assets	40,532	--
Total Nonoperating Revenue (Expense)	<u>(462,020)</u>	<u>(297,307)</u>
Net Change in Net Position	557,966	983,910
Net Position - Beginning of Year	<u>15,060,112</u>	<u>14,076,202</u>
Net Position - End of Year	<u><u>\$ 15,618,078</u></u>	<u><u>\$ 15,060,112</u></u>

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

Tripp County Water User District
Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 3,553,886	\$ 3,727,646
Cash paid to suppliers	(847,039)	(1,086,526)
Cash paid to employees	(841,239)	(711,248)
Cash paid to other sources	(312,933)	--
Other receipts	<u>509,264</u>	<u>490,585</u>
 Net Cash Provided by Operating Activities	 <u>2,061,939</u>	 <u>2,420,457</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(824,728)	(1,397,289)
Sale of capital assets	27,000	30,931
Principal paid on capital debt	(566,747)	(551,631)
Interest expense paid	<u>(358,319)</u>	<u>(371,882)</u>
 Net Cash (Used) in Capital and Related Financing Activities	 <u>(1,722,794)</u>	 <u>(2,289,871)</u>
Cash Flows from Investing Activities:		
Redemption of certificates of deposit	--	1,742,831
Purchase of certificates of deposit	--	(1,318)
Interest received	<u>147,653</u>	<u>53,236</u>
 Net Cash Provided by Investing Activities	 <u>147,653</u>	 <u>1,794,749</u>
 Net Increase in Cash and Cash Equivalents	 486,798	 1,925,335
 Cash, Cash Equivalents, and Restricted Cash, at Beginning of Year	 <u>7,543,717</u>	 <u>5,618,382</u>
Cash, Cash Equivalents, and Restricted Cash, at End of Year	<u>\$ 8,030,515</u>	<u>\$ 7,543,717</u>

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

Tripp County Water User District
Statements of Cash Flows (Continued)

	Years Ended December 31,	
	2023	2022
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating income	\$ 1,019,986	\$ 1,281,217
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,307,841	1,300,861
Pension buyout	(312,933)	--
(Gain) on sale of equipment	(13,500)	(13,932)
(Increase) decrease in:		
Accounts receivable	(31,590)	(42,832)
Inventory	(36,816)	(124,670)
Prepaid expenses	(17,342)	2,712
Retirement deposit	137,872	53,541
Increase (decrease) in:		
Accounts payable	6,937	(40,211)
Other current liabilities	1,484	3,771
Net Cash Provided by Operating Activities	<u>\$ 2,061,939</u>	<u>\$ 2,420,457</u>
 Composition of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 7,715,240	\$ 7,234,143
Restricted cash and cash equivalents	<u>315,275</u>	<u>309,574</u>
	<u>\$ 8,030,515</u>	<u>\$ 7,543,717</u>

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

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

1. Significant Accounting Policies:

Reporting Entity: The Tripp County Water User District (the District) was created in 1972 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:

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.

The financial statements are presented using the economic resources measurement focus, applied on 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. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

1. Significant Accounting Policies: (Continued)

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 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, money market accounts, and certificate of deposits. At December 31, 2023 and 2022, investments classified in the financial statements consist entirely of certificates of deposits whose terms to maturity at date of acquisition exceeds three months. These accounts are insured or collateralized in the District’s name.

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.

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.

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

1. Significant Accounting Policies: (Continued)

Estimated useful lives for financial reporting purposes are as follows:

	<u>Years</u>
Vehicles	3-5
Equipment	5-12
Buildings	20-35
Water System	20-40

The District currently capitalizes all property, plant and equipment purchases exceeding \$10,000 that have a useful life exceeding one year.

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.

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.”

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

1. Significant Accounting Policies: (Continued)

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.

Accumulated Unpaid Vacation and Sick Leave: Employees earn 12 to 18 days of annual leave per calendar year depending upon length of employment. In the event of termination, an employee is reimbursed for only unused accumulated annual leave. Employees are required to use their accumulated annual leave by June of the subsequent year from which it is earned; if not used, the annual leave is lost. Therefore, there is no accrual for annual leave at the end of the calendar year.

Sick leave is accumulated by full-time employees at a rate of 1 day per month of employment, not to exceed 180 days. No cash payment will be made for sick leave upon termination; therefore, no accrual is recognized.

Account Receivable, Net: The Organization grants open end credit to customers, substantially all of whom are local residents and whose livelihoods are dependent on the agribusiness economic sector. The Organization also grants open end credit to officers, directors, stockholders and employees of the Organization., which is typical of such business entities. The Organization assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when we identify specific customers with known disputes or collectability issues. In determining the amount of the allow for credit losses, we considered historical collectability based on past due status and make judgements about the creditworthiness of customers based on ongoing credit evaluations. We also consider customer specific information, current market conditions, and reasonable and supportive forecasts of future economic, conditions to inform adjustments to historical loss date. The allowance for credit losses on accounts receivable was \$0 as of December 31, 2023 and 2022.

Subsequent Events: Management has evaluated subsequent events through July 18, 2024, the date the financial statements were available to be issued.

2. Restricted Assets:

Restricted assets consisted of the following on December 31,

	2023	2022
Restricted deposit required by USDA	\$ 315,275	\$ 376,341
	\$ 315,275	\$ 376,341

These funds are presented as restricted for debt service as part of net position on the Statements of Net Position.

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

3. Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2023</u>
Capital assets not being depreciated:				
Land	\$ 645,247	\$ --	\$ --	\$ 645,247
Construction in progress	657,011	346,131	--	1,003,142
Total capital assets not being depreciated	<u>1,302,258</u>	<u>346,131</u>	<u>--</u>	<u>1,648,389</u>
Capital assets being depreciated:				
Buildings	457,866	--	--	457,866
Equipment	902,270	93,701	(21,656)	974,315
Water System	45,971,725	384,896	--	46,356,621
Total, being depreciated	<u>47,331,861</u>	<u>478,597</u>	<u>(21,656)</u>	<u>47,788,802</u>
Less accumulated depreciation for:				
Buildings	207,280	16,276	--	223,556
Equipment	700,930	73,583	(21,656)	752,857
Water System	25,843,493	1,217,982	--	27,061,475
Total accumulated depreciation	<u>26,751,703</u>	<u>1,307,841</u>	<u>(21,656)</u>	<u>28,037,888</u>
Total Capital assets being depreciated, net	<u>20,580,158</u>	<u>(829,244)</u>	<u>--</u>	<u>19,750,914</u>
Capital Assets, Net	<u>\$ 21,882,416</u>	<u>\$ (483,113)</u>	<u>\$ --</u>	<u>\$ 21,399,303</u>

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

3. Capital Assets: (Continued)

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

	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2022</u>
Capital assets not being depreciated:				
Land	\$ 645,247	\$ --	\$ --	\$ 645,247
Construction in progress	46,417	1,315,272	(704,678)	657,011
Total capital assets not being depreciated	<u>691,664</u>	<u>1,315,272</u>	<u>(704,678)</u>	<u>1,302,258</u>
Capital assets being depreciated:				
Buildings	427,552	30,314	--	457,866
Equipment	873,512	51,703	(22,945)	902,270
Water System	45,267,047	704,678	--	45,971,725
Total, being depreciated	<u>46,568,111</u>	<u>786,695</u>	<u>(22,945)</u>	<u>47,331,861</u>
Less accumulated depreciation for:				
Buildings	190,319	16,961	--	207,280
Equipment	655,660	65,148	(19,878)	700,930
Water System	24,624,741	1,218,752	--	25,843,493
Total accumulated depreciation	<u>25,470,720</u>	<u>1,300,861</u>	<u>(19,878)</u>	<u>26,751,703</u>
Total Capital assets being depreciated, net	<u>21,097,391</u>	<u>(514,166)</u>	<u>(3,067)</u>	<u>20,580,158</u>
Capital Assets, Net	<u>\$ 21,789,055</u>	<u>\$ 801,106</u>	<u>\$ (707,745)</u>	<u>\$ 21,882,416</u>

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

4. Long-Term Debt:

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

	<u>Debt</u> <u>1/1/2023</u>	<u>Retired</u>	<u>Additions</u>	<u>Debt</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable:					
State of SD - Revolving Fund	\$ 11,777,942	\$ 446,747	\$ --	\$ 11,331,195	\$ 461,347
2019 Bond Indebtedness	3,135,000	120,000	--	3,015,000	120,000
Unamortized Premiums	84,692	3,176	--	81,516	3,176
Total Debt	<u>\$ 14,997,634</u>	<u>\$ 569,923</u>	<u>\$ --</u>	<u>\$ 14,427,711</u>	<u>\$ 584,523</u>

		2023	2022
State of SD-Revolving Fund #C462434-01	2.5%, due in quarterly installments of \$41,364. Due October, 2034.	\$ 1,586,911	\$ 1,710,754
State of SD-Revolving Fund #C462434-02	0.0%, due in monthly installments of \$1,096. Due October, 2034.	48,205	52,587
State of SD-Revolving Fund SRF Loan	2.25%, due in quarterly installments of \$135,2046. Due October, 2046.	9,696,079	10,014,601
Robeert W Baird & Co, Inc - 2019 Revenue Bond	3.00% due in monthly installments of \$18,281.33. Due July, 2044. Net of unamortized premiums.	<u>3,096,516</u>	<u>3,219,692</u>
		14,427,711	14,997,634
	Less Current Portion	<u>(584,523)</u>	<u>(569,922)</u>
	Long-Term Debt	<u>\$ 13,843,188</u>	<u>\$ 14,427,712</u>

The State Revolving Fund Loans are secured by real estate, goods, and equipment.

The Bonds constitute an absolute and unconditional obligation of the District and shall be payable solely from its gross revenues and amounts held therefore by the Trustee under resolution.

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

4. Long-Term Debt: (Continued)

The annual requirements to retire debt is as follows:

<u>Year(s) Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2024	\$ 584,523	\$ 344,364	\$ 928,887
2025	592,694	330,170	922,864
2026	608,538	315,575	924,113
2027	624,637	308,307	932,944
2028	825,838	285,168	1,111,006
2029-2046	11,191,481	3,062,903	14,254,384
	<u>\$ 14,427,711</u>	<u>\$ 4,646,487</u>	<u>\$ 19,074,198</u>

5. Restricted Net Position:

The following table shows the net position restricted as shown on the Statements of Net Position:

<u>Description</u>	<u>Restricted by</u>	<u>2023</u>	<u>2022</u>
Restricted for Debt Service	USDA	\$ 315,275	\$ 309,574
Restricted for Retirement	NTCA	\$ --	\$ 137,872
Restricted for Retirement	SDRS	\$ 40,532	\$ --

6. Retirement Plan:

The Water District participated in the National Telephone Cooperative Association (NTCA), a cost-sharing, multiple employers defined benefit pension plan. The Water Districted participation in the NTCA ended December 31, 2022. This plan is authorized by SDCL 46A-9-78.

Employees who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life. The benefit is based on the final average earnings multiplied by a product of 2.168% multiplied by the sum of the accumulated system and participant net contribution percent. Employees may retire at or after age 55 and receive reduced benefits. There are no vesting requirements. The retirement system also provides death benefits.

The National Telephone Cooperative Association issues a stand-alone financial report on an annual basis. Copies are available at the NTCA's service center located in Asheville, NC or can be reviewed at the District's administrative office.

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

6. Retirement Plan: (Continued)

Covered employees are required to contribute 5 percent of their gross salary to the plan. The District is required to contribute an amount equal to 12.3 percent of the employee's gross salary. These provisions are established by the District's Board of Directors and may be amended contingent upon approval by USDA Rural Development.

Contribution Information:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contribution requirements (total of (employee and employer contribution)	\$ 91,395	\$ 80,381	\$ 78,778	\$ 86,246	\$ 84,366	\$ 82,701	\$ 71,107	\$ 62,060	\$ 50,009
Water District contribution	\$ 69,647	\$ 58,900	\$ 62,402	\$ 67,800	\$ 66,657	\$ 64,642	\$ 52,370	\$ 44,303	\$ 35,741
Percent of covered payroll	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	11.08%
Employee contribution	\$ 21,748	\$ 21,481	\$ 16,376	\$ 18,446	\$ 17,709	\$ 18,059	\$ 18,737	\$ 17,757	\$ 14,268
Contribution deficiency (excess)	--	--	--	--	--	--	--	--	--

100% of the contribution requirements were contributed for all years.

In September 2016, the District received correspondence from NTCA informing the District of a plan to increase employer match costs over the next twelve years. In lieu of annual assessment, members of the NTCA plan could pre-fund the entire estimated assessment (surcharge). Pre-funded contributions will be invested with other plan funds and will grow (or lose value) at the same rate as the program's overall investment returns. If funds remain in the District's pre-funding account, surcharge contributions will be paid from that account. At the end of the surcharge period, any assets remaining in the District's pre-funding account may be applied toward future program contributions. The District made the decision to pre-fund the assessment, which is presented on the Statements of Net Positions as retirement plan deposit.

7. Risks of Loss:

Tripp County Water User 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. Construction Loan Funding for System Improvements and Expansion:

The South Dakota State Board of Water and Natural Resources in October 2014 approved \$11.75 million in funding from the Drinking Water State Revolving Loan Fund for the District's improvement and expansion project. The thirty-year loan for the project carries a 2.25% annual percentage rate. Repayment began in January 2017.

The project involved major improvements to the District's drinking water distribution mains, service lines, pump stations, and storage capacity. It also involved expanding the distribution system to include 95 new users and installing meter pits to 85 users in areas currently served. The substantial completion date was October 15, 2016, with final costs and loan disbursements completed in 2017.

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

9. Pension Plan:

a. Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor's 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.

b. Benefits Provided:

SDRS has four different classes of members, Class A general members, Class B public safety and judicial members, and 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% joint survivor benefit when the member dies.

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

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

9. Pension Plan: (Continued)

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities

Legislation enacted in 2021 reduced the minimum COLA from .5% to 0.0%.

All benefits except those depending on the member’s accumulated contributions are annually increased by the cost-of-living adjustment.

c. 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 Water System’s share of contributions to the SDRS for the calendar year ended December 31, 2023, 2022, and 2021, were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 28,730
2022	--
2021	--

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

9. Pension Plan: (Continued)

- d. Pension Liabilities (Assets), Pension Expense (Revenue), Deferred Outflows of Resources, and Deferred Inflows of Resources to Pensions:

As of June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension (asset). The proportionate shares of the components of the net pension (asset) of the South Dakota Retirement System, for the Water System as of the measurement period ending June 30, 2023 and reported by the Water System as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 34,893,588
Less proportionate share of net position restricted for pension benefits	<u>34,917,091</u>
Proportionate share of net pension (asset)	<u><u>\$ (23,503)</u></u>

At December 31, 2023, the Water System reported a liability (asset) of (\$23,503) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Water System's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023 the Water System's proportion was .2408000% which is an increase (decrease) of .2408000% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Water System recognized pension expense (reduction of pension expense) of (\$44,137). At December 31, 2023, the Water System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 666,208	\$ --
Changes in assumption	803,540	1,174,597
Net difference between projected and actual earnings on pension plan investments	156,476	--
Changes in proportion and difference between District contributions and proportionate share of contributions	18	447,837
District contributions subsequent to the measurement date	<u>13,221</u>	<u>--</u>
Total	<u><u>\$ 1,639,463</u></u>	<u><u>\$ 1,622,434</u></u>

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

9. Pension Plan: (Continued)

\$13,221 reported as deferred outflow of resources related to pensions resulting from the Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
<u>December 31,</u>	
2024	\$ 185,056
2025	(491,044)
2026	320,849
2027	(11,053)
2028	--
Thereafter	--
Total	<u>\$ 3,808</u>

e. Actuarial Assumptions:

The total pensions liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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 2.5% and real returns of 4%
Future COLAs	1.91%

Mortality Rates:

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

Active and Terminated Vested members:

- Teachers, Certified Regents, and Judicial: PubT-2020
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Tripp County Water User District

Notes to Financial Statements

December 31, 2023 and 2022

9. Pension Plan: (Continued)

Retired members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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 dictated 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 include in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

Tripp County Water User District
Notes to Financial Statements
December 31, 2023 and 2022

9. Pension Plan: (Continued)

f. Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. 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 from 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 period of projected benefit payments to determine the total pension liability (asset).

g. Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the School District’s proportionate share of net pension (asset) calculated using the discount rate of 6.50% as well as what the Water System’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 4,817,322	\$ (23,503)	\$ (3,982,375)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at the end of the year.

10. Reclassification:

Certain items in the financial statements for 2022 have been reclassified to conform with the current year presentation. Such classifications had no effect on net income.

Required Supplementary Information

Tripp County Water User District
 Schedule of the Proportionate Share of the Net Pension Liability (Asset)
 South Dakota Retirement System

	2023
District's proportion of the net pension liability (asset)	0.2408000%
District's proportionate share of net pension liability (asset)	\$ (23,503)
District's covered-employee payroll	\$ 258,486
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.09%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Water System will present information for those years for which information is available.

**The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

Tripp County Water User District
Schedule of the School District Contributions
South Dakota Retirement System

	2023
Contractually required contribution	\$ 28,730
Contributions in relation to the contractually required contribution	28,730
Contribution deficiency (excess)	\$ --
District's covered-employee payroll	\$ 478,827
Contributions as a percentage of covered-employee payroll	6.00%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is complied, the Water System will present information for those years for which information is available.

Tripp County Water User District
Notes to Required Supplementary Information
December 31, 2023 and 2022

Changes from Prior Valuation

At June 30, 2023 Actuarial Valuation reflects no changes to the plan provision or actuarial methods. One change to the actuarial assumptions from the June 30, 2022 are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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