

CITY OF NEW UNDERWOOD, SOUTH DAKOTA

Financial Statements

December 31, 2023



City of New Underwood, South Dakota
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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*

City Council
City of New Underwood, 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of New Underwood, South Dakota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Management's Response as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City of New Underwood, South Dakota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Management's Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

October 23, 2024

City of New Underwood, South Dakota
Schedule of Findings and Management's Response (Unaudited)
December 31, 2023

Material Weakness

Internal Controls Related to Drafting Financial Statements

2023-001 *Condition:* As the auditor, we were requested to draft the financial statements and the accompanying notes to the financial statements.

Criteria: Establishing internal controls over the preparation of the financial statements and the accompanying notes is the responsibility of management.

Cause: Due to the limited number of employees, the City does not have an internal control system designed to provide for the preparation of the financial statements and the accompanying notes being audited which does not adhere to generally accepted government auditing standards (GAGAS).

Effect: The City engages its auditor to draft the financial statements and the accompanying notes.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the City's auditors drafting the financial statements and accompanying notes because of cost or other considerations. The City could outsource the services to a third-party accounting firm to alleviate this finding. If the City chooses not to accept this risk, training should be provided to those employees responsible for drafting the financial statements and accompanying notes.

Management's Response: The City does not believe it is financially feasible to outsource the service and accepts the risk related to hiring the auditor to prepare the financial statements and notes to the financial statements.

Material Weakness

Internal Controls over Bank Reconciliations

2023-002 *Condition:* The bank reconciliations included several material outstanding items that needed to be resolved to correct receipts and disbursements.

Criteria: Establishing internal controls over the timely preparation of bank reconciliations is the responsibility of management.

Cause: Bank reconciliations, transfers between accounts, and the correction of errors are not being conducted timely.

Effect: Failure to identify and correct errors can result in incomplete and erroneous accounting records and presents the potential for fraud to occur and not be identified.

Auditor's Recommendation: We recommend management complete bank reconciliations and transfers and correct errors timely.

Management's Response: Management will ensure that bank reconciliations are completed accurately and on a timely basis.

Independent Auditor's Report

City Council
City of New Underwood, South Dakota
New Underwood, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of New Underwood, South Dakota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund as of December 31, 2023, and the respective changes in financial position - modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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* (GAS), 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 City 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility 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 GAS 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 GAS, 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 City'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 City'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and the Notes to the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and the Notes to the Supplementary Information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the supplementary information, which consisted of inquiries of management about 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The list of City Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The list of City Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

October 23, 2024

BASIC FINANCIAL STATEMENTS

City of New Underwood, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,250,580	\$ 415,485	\$ 1,666,065
TOTAL ASSETS	<u>\$ 1,250,580</u>	<u>\$ 415,485</u>	<u>\$ 1,666,065</u>
NET POSITION			
Restricted for:			
Customer Deposits	\$ -	\$ 30,123	\$ 30,123
Unrestricted	<u>1,250,580</u>	<u>385,362</u>	<u>1,635,942</u>
TOTAL NET POSITION	<u>\$ 1,250,580</u>	<u>\$ 415,485</u>	<u>\$ 1,666,065</u>

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants, Loans, and Contributions	Governmental Activities	Primary Government	
					Business-type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 140,800	\$ 9,184	\$ -	\$ (131,616)	\$ -	\$ (131,616)
Public Safety	58,118	-	-	(58,118)	-	(58,118)
Public Works	206,905	91,103	-	(115,802)	-	(115,802)
Culture and Recreation	49,718	13,282	-	(36,436)	-	(36,436)
Total Governmental Activities	455,541	113,569	-	(341,972)	-	(341,972)
Business-type Activities:						
Water	153,411	200,756	2,465	-	49,810	49,810
Sewer	61,351	92,232	-	-	30,881	30,881
Total Business-type Activities	214,762	292,988	2,465	-	80,691	80,691
TOTAL PRIMARY GOVERNMENT	\$ 670,303	\$ 406,557	\$ 2,465	(341,972)	80,691	(261,281)
GENERAL RECEIPTS						
Taxes:						
Property Taxes				208,328	-	208,328
Sales Tax				182,978	-	182,978
State Shared Receipts				30,617	-	30,617
Unrestricted Investment Earnings				13,626	881	14,507
Miscellaneous Receipts				33,360	-	33,360
Total General Receipts				468,909	881	469,790
CHANGE IN NET POSITION				126,937	81,572	208,509
NET POSITION - BEGINNING				1,123,643	333,913	1,457,556
NET POSITION - ENDING				\$ 1,250,580	\$ 415,485	\$ 1,666,065

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Second Penny Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 985,551	\$ 265,029	\$ 1,250,580
TOTAL ASSETS	<u>\$ 985,551</u>	<u>\$ 265,029</u>	<u>\$ 1,250,580</u>
FUND BALANCES			
Unassigned	\$ 985,551	\$ 265,029	\$ 1,250,580
TOTAL FUND BALANCES	<u>\$ 985,551</u>	<u>\$ 265,029</u>	<u>\$ 1,250,580</u>

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Second Penny Fund</u>	<u>Total Governmental Funds</u>
RECEIPTS			
Taxes:			
General Property Taxes	\$ 208,328	\$ -	\$ 208,328
General Sales and Use Taxes	90,306	92,672	182,978
Licenses and Permits	9,184	-	9,184
Intergovernmental Receipts:			
State Shared Receipts:			
Bank Franchise Tax	2,594	-	2,594
Liquor Tax Reversion	4,056	-	4,056
Motor Vehicle Licenses	7,509	-	7,509
State Highway/Bridge Revenue	15,623	-	15,623
Other	835	-	835
Charges for Goods and Services:			
Sanitation	91,103	-	91,103
Culture and Recreation	13,282	-	13,282
Fines and Forfeits:			
Other	760	-	760
Miscellaneous Revenue:			
Investment Earnings	13,626	-	13,626
Other	20,536	-	20,536
Total Receipts	<u>477,742</u>	<u>92,672</u>	<u>570,414</u>

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds (Continued)
For the Year Ended December 31, 2023

	General Fund	Second Penny Fund	Total Governmental Funds
DISBURSEMENTS			
General Government:			
Legislative	28,409	-	28,409
Financial Administration	106,701	-	106,701
Other	5,690	-	5,690
Public Safety	57,786	-	57,786
Flood Control	332	-	332
Public Works:			
Highways and Streets	74,415	27,270	101,685
Sanitation	62,119	9,526	71,645
Culture and Recreation:			
Recreation	40,510	-	40,510
Library	1,000	-	1,000
Auditorium	8,208	-	8,208
Capital Outlay	33,575	-	33,575
Total Disbursements	<u>418,745</u>	<u>36,796</u>	<u>455,541</u>
OTHER FINANCING SOURCES			
Compensation for Loss or Damage to Capital Assets	<u>12,064</u>	-	<u>12,064</u>
NET CHANGE IN FUND BALANCE	71,061	55,876	126,937
FUND BALANCE - BEGINNING	<u>914,490</u>	<u>209,153</u>	<u>1,123,643</u>
FUND BALANCE - ENDING	<u>\$ 985,551</u>	<u>\$ 265,029</u>	<u>\$ 1,250,580</u>

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Balance Sheet - Modified Cash Basis - Proprietary Funds
December 31, 2023

	Water Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
Cash	\$ 337,332	\$ 78,153	\$ 415,485
TOTAL ASSETS	\$ 337,332	\$ 78,153	\$ 415,485
NET POSITION			
Restricted for:			
Customer Deposits	\$ 30,123	\$ -	\$ 30,123
Unrestricted	307,209	78,153	385,362
TOTAL NET POSITION	\$ 337,332	\$ 78,153	\$ 415,485

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Statement of Receipts, Disbursements, and Changes in Net Position -
Modified Cash Basis - Proprietary Funds
For the Year Ended December 31, 2023

	Water Fund	Sewer Fund	Total Proprietary Funds
OPERATING RECEIPTS			
Charges for Service	\$ 200,756	\$ 92,232	\$ 292,988
OPERATING DISBURSEMENTS			
Operations Disbursements			
Personal Services	50,853	54,948	105,801
Other Expenses	78,294	1,663	79,957
Supplies and Materials	17,491	4,740	22,231
Total Operating Disbursements	146,638	61,351	207,989
OPERATING INCOME	54,118	30,881	84,999
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Investment Earnings	881	-	881
Grants and Reimbursements	2,465	-	2,465
Debt Service Payments	(6,773)	-	(6,773)
Net Nonoperating Receipts (Disbursements)	(3,427)	-	(3,427)
CHANGE IN NET POSITION	50,691	30,881	81,572
NET POSITION - BEGINNING	286,641	47,272	333,913
NET POSITION - ENDING	\$ 337,332	\$ 78,153	\$ 415,485

The accompanying notes are an integral part of this statement.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. REPORTING ENTITY

The reporting entity of the City of New Underwood, South Dakota (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include all funds of the overall government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and each function of the City's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts, and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City, or if it meets the following criteria:

1. Total assets, liabilities, receipts, or disbursements of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, receipts, or disbursements of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the City are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Fund - Special revenue funds are used to account for and report the proceeds of specific receipt sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

Second Penny Fund - The fund is used to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions which tax shall be used for the purpose of land acquisition; architectural fees; construction costs; payments for the civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities; and the promotion and advertising of the City (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinances. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources. A) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a 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. B) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues. C) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service)

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This fund is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). This fund is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds and are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). The City did not have fiduciary funds as of December 31, 2023.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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 City’s basis of accounting is the modified cash basis, which is a basis of accounting other than GAAP. Under GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used and applied within the limitations of the modified cash basis of accounting.

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using the modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the modified cash basis of accounting implemented by the City in these financial statements include the recording of certificates of deposit with maturities of greater than 90 days from the date of acquisition.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CASH AND CASH EQUIVALENTS

The City pools its cash resources for deposit purposes. The proprietary funds have access to their cash resources on demand.

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at the date of acquisition of three months or less. Certificates of deposit whose term to maturity at the date of acquisition exceeds three months are carried at cost and included in cash and cash equivalents.

E. CAPITAL ASSETS

Government-wide Financial Statements:

Under the modified cash basis of accounting, the City’s capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner in the government-wide financial statements.

As discussed in Note 1.C. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. The City has not elected to modify its modified cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the City and the related depreciation are not reported on the financial statements of the City.

F. LONG-TERM LIABILITIES

Long-term liabilities include, but are not limited to, financing notes.

As discussed in Note 1.C. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. The City has not elected to modify its modified cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as debt service expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balances. On the Statement of Activities, the principal and interest on these debt service payments are reported within the appropriate expense function.

G. REVENUE RECEIVED IN ADVANCE

Under the modified cash basis of accounting, cash may have been received in advance of the City’s providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. PROGRAM RECEIPTS

Program receipts derive directly from the program itself or parties other than the City's taxpayers or citizenry as a whole. Program receipts are classified into three categories as follows:

1. *Charges for Services* - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. *Program-specific Operating Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. *Program-specific Capital Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

I. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION

In the proprietary fund's Statement of Receipts, Disbursements, and Changes in Net Position, receipts and disbursements are classified as operating or non-operating receipts and disbursements. Operating receipts and disbursements directly relate to the purpose of the fund.

J. EQUITY CLASSIFICATIONS

Government-wide Financial Statements:

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

1. *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.
2. *Unrestricted Net Position* - All other net position that does not meet the definition of Restricted Net Position.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is made for purposes for which both restricted and unrestricted net positions are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

Nonspendable - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - Includes amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the City Council and do not lapse at year-end.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - Includes amounts that are constrained by the City management and are intended to be used for specific purposes but are neither restricted nor committed. The City Council has given management the authority to create assignments of fund equity.

Unassigned - Includes positive amounts within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses restricted amounts first when both restricted and unrestricted fund balances are available unless legal documents or contracts such as a grant agreement requiring dollar-for-dollar spending prohibit doing so. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

Proprietary fund equity is classified the same as in the government-wide financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are as follows:

Deposits

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, 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% of the public deposit accounts that 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 City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any banker or trust company designated by the political subdivision as its fiscal agent. As of December 31, 2023, the City did not hold any investments.

Additionally, the City holds funds in the South Dakota Public Fund Investment Trust (SDFIT), which is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account 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. The balance in the SD FIT investment pool is recognized as cash equivalents on the Balance Sheet and the Statement of Net Position. The balance at December 31, 2023 was \$18,684 and is held in the General Fund.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023, the City's deposits were adequately secured by FDIC Insurance and collateralized with pledged securities.

Interest Rate Risk - The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the investment.

NOTE 3 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 4 - COMMITMENTS

The City has policies in place regarding the payment of unused vacation and sick leave to employees. Employees may roll over a maximum of 320 accumulated vacation hours into the next year. Employees may be paid for unused vacation over the 320 hours as well as any other accumulated vacation hours in December of each year. Sick leave accrual is limited to 1,000 hours and the City will pay the employee for one-half of their accrued sick leave upon termination, provided the employee has worked for the City for at least three years.

The following is a summary of changes in long-term debt commitments for the year ended December 31, 2023:

	Beginning Balance 01/01/23	Additions	Payments	Ending Balance 12/31/23	Due in One Year
State Revolving Fund Loan #1	\$ 50,647	\$ -	\$ (5,313)	\$ 45,334	\$ 5,474

The City entered into a Drinking Water State Revolving Fund Loan #1 in 2011 to fund water system repairs. The original principal due on the loan was \$101,580 due in quarterly payments of \$1,693 over twenty years beginning July 15, 2011. Interest is accrued at a rate of 3%. Interest expense for the year ended December 31, 2023 was \$1,460. This debt is paid by the Water Fund.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 4 - COMMITMENTS (CONTINUED)

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

	Principal	Interest	Total
2024	\$ 5,474	\$ 1,299	\$ 6,773
2025	5,640	1,133	6,773
2026	5,811	962	6,773
2027	5,987	785	6,772
2028	6,169	604	6,773
2029 - 2031	16,253	678	16,931
	\$ 45,334	\$ 5,461	\$ 50,795

NOTE 5 - PENSION PLAN

Plan Information

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Benefits Provided

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

Members who 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 retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - PENSION PLAN (CONTINUED)

Members who 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, 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 maximum COLA from 0.5% to 0%.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021 were \$8,167, \$7,520, and \$7,302, respectively, and were equal to the required contributions each year.

Pension Liabilities (Assets)

At June 30, 2023, SDRS was 100.07% funded and accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023 and reported by the City as of December 31, 2023 are as follows:

Proportionate Share of Total Pension Liability	\$ 723,086
Less: Proportionate Share of Net Position Restricted for Pension Benefits	<u>723,573</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (487)</u>

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - PENSION PLAN (CONTINUED)

At December 31, 2023, the City had a liability (asset) of \$(487) for its proportionate share of the net pension liability (asset). This asset is not reflected in the financial statements. 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 the projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. As of June 30, 2023, the City's proportion was .00499000% which is a decrease of .00066400% from its proportion measured as of June 30, 2022.

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

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

- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial: PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010
- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table
 - Others: PubG-2010 disabled member mortality table

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

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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%
	100.0%	

Discount Rate

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

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

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 99,827	\$ (487)	\$ (82,525)

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 6 - RISK ASSESSMENT

The City 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 City managed risks as follows:

Unemployment Benefits

The City has coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by State law and managed by the State of South Dakota. During the year ended December 31, 2023, no claims were paid for unemployment benefits. At December 31, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Health Insurance

The City 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 City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk-sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy, and the premiums are accrued based on the ultimate cost of the experience to date of the SDPPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, officials' liability, auto liability, auto damage, and cyber liability.

The City carries a \$5,000 deductible for Municipal Property and Public Officials' Liability coverage and a \$0 deductible for Governmental General and Automobile Liability coverage.

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

City of New Underwood, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 6 - RISK ASSESSMENT (CONTINUED)

Worker's Compensation

The City joined the South Dakota Municipal League Worker's Compensation Fund (the Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium to provide worker's compensation coverage for its employees under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

NOTE 7 - RESTRICTED NET POSITION

The following table shows restricted net position and the purpose for such restrictions as shown in the Statement of Net Position - Modified Cash Basis.

Purpose	Restricted By	Amount
Major Purposes:		
Customer Deposits	Funding Source	\$ 30,123

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, the City approved a bid to complete a water system improvement project in amount of \$3,794,923. The project is anticipated to be funded by a loan, which had not been finalized as of October 23, 2024. The City has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

City of New Underwood, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Budgetary Basis - Actual Amounts</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
General Property Taxes	\$ 210,895	\$ 210,895	\$ 208,328	\$ (2,567)
General Sales and Use Taxes	90,000	90,000	90,306	306
Licenses and Permits	7,100	7,100	9,184	2,084
Intergovernmental Receipts:				
Federal Grants	-	50,840	-	(50,840)
State Shared Revenue:				
Bank Franchise Tax	2,200	2,200	2,594	394
Liquor Tax Reversion	1,200	1,200	4,056	2,856
Motor Vehicle Licenses	7,000	7,000	7,509	509
State Highway/Bridge Revenue	5,000	5,000	15,623	10,623
Other	1,000	1,000	835	(165)
Charges for Goods and Services:				
Sanitation	86,000	86,000	91,103	5,103
Culture and Recreation	11,000	11,000	13,282	2,282
Fines and Forfeits:				
Court Fines and Costs	1,000	1,000	760	(240)
Miscellaneous Revenue:				
Investment Earnings	200	200	13,626	13,426
Other	5,000	5,000	20,536	15,536
Total Receipts	<u>427,595</u>	<u>478,435</u>	<u>477,742</u>	<u>(693)</u>

See independent auditor's report and notes to the supplementary information.

City of New Underwood, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
(Continued)
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Budgetary Basis - Actual Amounts</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
DISBURSEMENTS				
General Government:				
Legislative	\$ 69,174	\$ 69,174	\$ 28,409	\$ 40,765
Elections	700	700	-	700
Financial Administration	132,503	132,503	106,701	25,802
Other	10,700	10,700	5,690	5,010
Public Safety	55,111	57,786	57,786	-
Flood Control	2,450	2,450	332	2,118
Public Works:				
Highways and Streets	178,396	178,396	98,990	79,406
Sanitation	75,300	79,300	71,119	8,181
Culture and Recreation:				
Recreation	34,500	43,015	40,510	2,505
Library	15,285	15,285	1,000	14,285
Auditorium	13,100	13,100	8,208	4,892
Total Disbursements	<u>587,219</u>	<u>602,409</u>	<u>418,745</u>	<u>183,664</u>
NET CHANGE IN FUND BALANCE	(159,624)	(123,974)	58,997	182,971
FUND BALANCE - BEGINNING	<u>914,490</u>	<u>914,490</u>	<u>914,490</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 754,866</u>	<u>\$ 790,516</u>	<u>\$ 973,487</u>	<u>\$ 182,971</u>

See independent auditor's report and notes to the supplementary information.

City of New Underwood, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - Second Penny Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Budgetary Basis - Actual Amounts</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
General Sales and Use Taxes	\$ 89,000	\$ 89,000	\$ 92,672	\$ 3,672
DISBURSEMENTS				
General Government:				
Legislative	10,000	10,000	-	10,000
Public Works:				
Highways and Streets	59,000	59,000	27,270	31,730
Sanitation	22,000	22,000	9,526	12,474
Culture and Recreation:				
Auditorium	10,000	10,000	-	10,000
Total Disbursements	<u>101,000</u>	<u>101,000</u>	<u>36,796</u>	<u>64,204</u>
NET CHANGE IN FUND BALANCE	(12,000)	(12,000)	55,876	67,876
FUND BALANCE - BEGINNING	<u>209,153</u>	<u>209,153</u>	<u>209,153</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 197,153</u>	<u>\$ 197,153</u>	<u>\$ 265,029</u>	<u>\$ 67,876</u>

See independent auditor's report and notes to the supplementary information.

**City of New Underwood, South Dakota
Schedule of the City's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System**

Year*	City's Proportion of Net Pension Liability/Asset	City's Proportionate Share of Net Pension Liability (Asset) (a)	City's Covered- employee Payroll (b)	City's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability/Asset
2023	0.0049900%	\$ (487)	\$ 127,706	0.38%	100.07%
2022	0.0056540%	(534)	128,202	0.42%	100.10%
2021	0.0052780%	(40,420)	119,786	33.74%	105.52%
2020	0.0049477%	(214)	108,640	0.20%	100.04%
2019	0.0052028%	(551)	110,622	0.50%	100.09%
2018	0.0063303%	(148)	130,664	0.11%	100.02%
2017	0.0058938%	(535)	119,883	0.45%	100.10%
2016	0.0055098%	18,612	105,970	17.56%	96.89%
2015	0.0051131%	(21,686)	45,434	47.73%	104.10%

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

See independent auditor's report and notes to the supplementary information.

City of New Underwood, South Dakota
Schedule of Pension Contributions
South Dakota Retirement System

Year*	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2023	\$ 8,167	\$ 8,167	-	\$ 136,120	6.0%
2022	7,520	7,520	-	125,341	6.0%
2021	7,302	7,302	-	121,701	6.0%
2020	7,158	7,158	-	119,308	6.0%
2019	6,677	6,677	-	111,285	6.0%
2018	6,424	6,424	-	107,075	6.0%
2017	8,333	8,333	-	138,888	6.0%
2016	6,707	6,707	-	111,777	6.0%
2015	5,790	5,790	-	96,496	6.0%

* Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditor's report and notes to the supplementary information.

City of New Underwood, South Dakota
Notes to the Supplementary Information
For the Year Ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified cash basis of accounting and present capital outlay expenditures within each department rather than as separate functions similar to the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. At the regular City Council meeting in September each year or within ten days thereafter, the City Council introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding, and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the City Council. The City did not encumber any amounts at December 31, 2023.

NOTE 3 - SCHEDULE OF PENSION CONTRIBUTIONS

Changes from Prior Valuation

The June 30, 2023 actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 actuarial valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session, no significant SDRS benefit changes were made and emergency medical services personnel 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 an FVFR equal to or exceeding 100%.

See independent auditor's report.

City of New Underwood, South Dakota
Notes to the Supplementary Information
For the Year Ended December 31, 2023

NOTE 3 - SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

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

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

See independent auditor's report.

OTHER INFORMATION

**City of New Underwood, South Dakota
City Officials
December 31, 2023**

CITY COUNCIL

Teresa Hall

Larry Graham

Tera Hockenbary

Tara Richter

Ben VanderMay

FINANCE DIRECTOR

Meri Jo Anderson

FINANCE OFFICER

Kristi Pritzkau

See independent auditor's report.