

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2023 AND 2022

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Rapid Valley Sanitary District/Water Service  
Rapid City, South Dakota

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Rapid Valley Sanitary District/Water Service (the District), which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 other internal control matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-8 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP  
Certified Public Accountants

May 13, 2024

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023**

This section of Rapid Valley Sanitary District/Water Service’s (the District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended on December 31, 2023. Please read it in conjunction with the District’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the District’s revenues generated from charges for services and other revenues were \$5,284,510 while cost of sales and operating expenses were \$4,010,293. This represents \$1,274,217 more in operating revenues than expenses.
- The service department continued to be proactive in replacing water service lines that were defective. The District has implemented a new leak detection trailer that has been beneficial for decreasing water loss. The project completed in 2023 was the tank cleaning. The District is continuing to replace aging water meters. The increase in new development within the District’s boundaries has added an additional 89 more accounts in 2023, however some of those accounts have 15 homes per account.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management’s discussion and analysis (this section) and the financial statements. The financial statements offer short and long-term financial information about the activities of the District. The financial statements include notes that explain the financial statements and provide more detailed data.

The District operates similar to a private business. The required financial statements include the statements of net position, statements of revenues, expenses and changes in net position, and the statements of cash flows. The District applies the accrual basis of accounting and an economic resources measurement focus. Inflows and outflows include all revenues and expenses during the year, regardless of when cash is received or paid.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

*Statements of Net Position*

The District's net position increased as follows:

	<b>2023</b>	2022	2021
Current Assets	\$ 5,682,369	\$ 4,183,826	\$ 3,846,294
Net Capital Assets being Depreciated	<b>24,481,453</b>	24,436,785	23,954,830
Capital Assets not being Depreciated	<b>2,935,189</b>	2,751,516	2,304,115
Other Assets	<b>542,184</b>	533,806	514,975
<b>Total Assets</b>	<b>\$ 33,641,195</b>	\$ 31,905,933	\$ 30,620,214
Long-Term Debt Outstanding	\$ 6,856,825	\$ 6,765,704	\$ 7,047,821
Other Liabilities	<b>303,233</b>	229,607	211,999
<b>Total Liabilities</b>	<b>\$ 7,160,058</b>	\$ 6,995,311	\$ 7,259,820
Net Position:			
Net Investment in Capital Assets	\$ 20,559,817	\$ 20,422,597	\$ 19,211,124
Restricted for Debt Service	<b>405,150</b>	405,150	405,150
Unrestricted	<b>5,516,170</b>	4,082,875	3,744,120
<b>Total Net Position</b>	<b>\$ 26,481,137</b>	\$ 24,910,622	\$ 23,360,394
Beginning Net Position	\$ 24,910,622	\$ 23,360,394	\$ 20,383,685
Increase in Net Position	<b>1,570,515</b>	1,550,228	2,976,709
Percentage of Increase in Net Position	<b>6.30%</b>	6.64%	14.60%

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The statements of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of a State Revolving Fund Loan, two revenue bonds, and one Bank loan have been reported in this manner on the statements of net position. The difference between the District's assets and liabilities is its net position.

*Statements of Revenues, Expenses and Changes in Net Position*

	<b>2023</b>	2022	2021
Operating Revenues	\$ <b>5,284,510</b>	\$ 4,533,586	\$ 4,117,956
Non-Operating Income	<b>406,927</b>	354,717	347,663
Contributions from Developers/Others	<b>114,565</b>	807,695	2,071,546
<b>Total Revenue</b>	<b>5,806,002</b>	5,695,998	6,537,165
Cost of Sales	<b>(1,245,826)</b>	(1,251,928)	(702,857)
Operating Expenses	<b>(2,764,467)</b>	(2,675,923)	(2,630,731)
Non-Operating Expense	<b>(225,194)</b>	(217,919)	(226,868)
<b>Total Expenses</b>	<b>(4,235,487)</b>	(4,145,770)	(3,560,456)
<b>Change in Net Position</b>	<b>\$ 1,570,515</b>	\$ 1,550,228	\$ 2,976,709
<b>Net Position</b>	<b>\$ 26,481,137</b>	\$ 24,910,622	\$ 23,360,394

In 2023, operating revenue increased by 16.56 percent while expenditures increased by 2.16 percent. Factors contributing to these results included:

- There was no increase in the minimum water charge and no increase in the per 1,000 gallon charge with no minimum increase on sewer, and no increase in the sewer per 1,000 gallon charge. The first 1,000 gallons were no longer included with the minimum charges which added approximately \$4.50/month for each water account and \$5.88/month for each sewer account. This went into effect January 1, 2023 and contributed to the increase in operating revenue.
- Rapid Valley Sanitary District continues to administer the Green Valley Sanitary District's water system and billing.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023**

**CAPITAL ASSET ADMINISTRATION**

By the end of 2023, the District had invested \$39,597,482 in a broad range of capital assets, including land, buildings, and various machinery and equipment (see table below).

	<b>Balance December 31, 2023</b>	Balance December 31, 2022	Balance December 31, 2021
<i>Capital Assets being Depreciated</i>			
Buildings	\$ 923,177	\$ 923,177	\$ 923,177
Water and Sewer Systems	35,278,069	34,745,672	33,999,139
Office Furniture	-	3,237	3,237
Equipment and Vehicles	461,047	452,114	429,482
	<b>36,662,293</b>	36,124,200	35,355,035
<i>Less Accumulated Depreciation</i>	<b>12,180,840</b>	11,687,415	11,400,205
<b>Net Capital Assets being Depreciated</b>	<b>\$ 24,481,453</b>	<b>\$ 24,436,785</b>	<b>\$ 23,954,830</b>
<i>Capital Assets not being Depreciated</i>			
Land	\$ 1,060,942	\$ 1,060,942	\$ 1,060,942
Water Rights	1,243,173	1,243,173	1,243,173
Construction in Progress	631,074	447,401	-
<b>Total Capital Assets not being Depreciated</b>	<b>\$ 2,935,189</b>	<b>\$ 2,751,516</b>	<b>\$ 2,304,115</b>

The District’s fiscal year 2023 capital projects include:

- No capital improvement projects were completed, the scope was approving contracts for a two million gallon storage reservoir and 12” water main to Box Elder.

**LONG-TERM DEBT**

The District continued making loan payments on the revenue bond, note payable, and Rural Development and State Revolving Fund loans. The changes in long-term debt consisted of the following:

Balance -- December 31, 2021	\$ 7,047,821
Principal Repayments	(282,117)
Balance -- December 31, 2022	6,765,704
Principal Repayments	(292,203)
Principal Borrowings	383,324
<b>Balance -- December 31, 2023</b>	<b>\$ 6,856,825</b>

## **RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's current economic position has shown little change. The District did approve an increase in the total property levy of \$321,933 that will be collected in calendar year 2024. The increase in property valuation allows the District the ability to increase the amount of revenue generated from property taxes by \$17,643. 2024's property tax levy requests increased approximately 5.7 percent from 2023.

The District's adopted expense budget for the 2024 fiscal year will increase 5.4 percent to \$4,646,000. It is anticipated that expenses should be higher than 2023. Potential increases are sewer treatment from the City of Rapid City equaling 12 percent each year for the next 5 years. Diligent monitoring of purchases will also contribute to keeping expenses down.

Based on the 2024 budget, the District expects that the results for 2024 will remain constant with the established rate increases for water and sewer which went into effect in January 2024. There was a 3% increase in the monthly minimum charge and the per 1,000 gallon charge for water and a 4% increase in the monthly minimum charge for sewer effective January 1, 2024. The District continues to be proactive in repairing and replacing water service lines, which will have a positive impact on the amount of water being produced and/or purchased. The District continues to use four S-30 Surveyor leak detectors which are being used systematically throughout the system for early detection of water leaks. The District is also utilizing a leak detection trailer to locate and reduce water loss. The installation of MXU readers will also have a positive effect on water sales versus water loss as well as the installation of monitoring pits in key locations to get sales versus production data. The District has an updated program, which will result in approximately 600 old meters being replaced with more efficient and accurate meters. This will also have a positive effect on water sales. The contract with Verizon to utilize a water tower for antennas will generate an additional \$28,692 annually for the District. This will be beneficial in helping to keep rates viable for our consumers. The District is reviewing the option of building our own reclamation facility to provide long-term sustainability, and keeping rates viable in the future.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Rapid Valley Sanitary District/Water Service, 4611 Teak Drive, Rapid City, SD 57703.



**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 4,392,610	\$ 3,026,080
Investments	702,156	698,082
Accounts Receivable	203,813	183,373
Unbilled Accounts Receivable	279,517	167,656
Prepaid Expenses	104,273	108,635
<b>Total Current Assets</b>	<b>5,682,369</b>	<b>4,183,826</b>
<b>Capital Assets being Depreciated</b>		
Buildings	923,177	923,177
Water and Sewer Systems	35,278,069	34,745,672
Office Furniture	-	3,237
Equipment and Vehicles	461,047	452,114
	<b>36,662,293</b>	<b>36,124,200</b>
Less Accumulated Depreciation	<b>12,180,840</b>	<b>11,687,415</b>
	<b>24,481,453</b>	<b>24,436,785</b>
<b>Capital Assets not being Depreciated</b>		
Land	1,060,942	1,060,942
Water Rights	1,243,173	1,243,173
Construction in Progress	631,074	447,401
	<b>2,935,189</b>	<b>2,751,516</b>
<b>Other Assets</b>		
Restricted Cash and Cash Equivalents	405,150	405,150
Utility Investment	137,034	128,656
	<b>542,184</b>	<b>533,806</b>
<b>TOTAL ASSETS</b>	<b>\$ 33,641,195</b>	<b>\$ 31,905,933</b>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND NET POSITION</b>	<b>2023</b>	<b>2022</b>
<b>Current Liabilities</b>		
Current Portion of Long-Term Debt	\$ 302,180	\$ 292,164
Accrued Expenses	185,939	116,066
Meter Deposits	117,294	113,541
<b>Total Current Liabilities</b>	<b>605,413</b>	<b>521,771</b>
<b>Long-Term Liabilities</b>		
Long-Term Debt	6,856,825	6,765,704
Less: Current Portion Shown Above	302,180	292,164
	<b>6,554,645</b>	<b>6,473,540</b>
<b>Net Position</b>		
Net Investment in Capital Assets	20,559,817	20,422,597
Restricted for Debt Service	405,150	405,150
Unrestricted	5,516,170	4,082,875
<b>Total Net Position</b>	<b>26,481,137</b>	<b>24,910,622</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 33,641,195</b>	<b>\$ 31,905,933</b>

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Water Charges	\$ 2,567,635	\$ 2,198,360
Sewer Charges	2,398,908	2,035,078
Late Fees	136,104	132,555
Charges for Services and Fees	131,463	142,393
Permits	50,400	25,200
<b>Total Revenues</b>	<b>5,284,510</b>	<b>4,533,586</b>
<b>Costs of Sales</b>		
Water Purchases	16,747	16,724
Sewer Treatment Expense	1,229,079	1,235,204
<b>Total Cost of Sales</b>	<b>1,245,826</b>	<b>1,251,928</b>
<b>Gross Margin</b>	<b>4,038,684</b>	<b>3,281,658</b>
<b>Operating Expenses</b>		
Operating	1,384,829	1,296,798
Personnel	882,975	884,274
Depreciation	496,663	494,851
<b>Total Operating Expenses</b>	<b>2,764,467</b>	<b>2,675,923</b>
<b>Operating Income</b>	<b>1,274,217</b>	<b>605,735</b>
<b>Non-Operating Income (Expense)</b>		
Donated Systems	114,565	807,695
Property Taxes	297,884	277,968
Lease Income	28,697	28,697
Miscellaneous Income	5,240	14,340
Investment Income	75,106	33,712
Interest Expense	(225,194)	(217,919)
<b>Total Non-Operating Income</b>	<b>296,298</b>	<b>944,493</b>
<b>Change in Net Position</b>	<b>1,570,515</b>	<b>1,550,228</b>
<b>Net Position -- Beginning of Year</b>	<b>24,910,622</b>	<b>23,360,394</b>
<b>Net Position -- End of Year</b>	<b>\$ 26,481,137</b>	<b>\$ 24,910,622</b>

The accompanying notes are an integral part of these statements.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from Customers	\$ 5,155,962	\$ 4,628,556
Payments to Suppliers	(2,626,293)	(2,565,161)
Payments to Employees	(871,605)	(878,099)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>1,658,064</b>	<b>1,185,296</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Miscellaneous Income	5,240	14,340
Lease Income	28,697	28,697
Property Taxes	297,884	277,968
<b>Net Cash Flows Provided by Noncapital Financing Activities</b>	<b>331,821</b>	<b>321,005</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Repayments of Long-Term Debt	(292,203)	(282,117)
Purchases of Capital Assets	(168,612)	(616,512)
Interest Paid	(225,194)	(217,919)
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<b>(686,009)</b>	<b>(1,116,548)</b>
<b>Cash Flows From Investing Activities</b>		
Interest Received	75,106	33,712
Net Purchases of Investments	(4,074)	(1,593)
Change in Utility Investment	(8,378)	(18,831)
<b>Net Cash Flows Provided by Investing Activities</b>	<b>62,654</b>	<b>13,288</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,366,530</b>	<b>403,041</b>
<b>Cash and Cash Equivalents and Restricted Cash -- Beginning of Year</b>	<b>3,431,230</b>	<b>3,028,189</b>
<b>Cash and Cash Equivalents and Restricted Cash -- End of Year</b>	<b>\$ 4,797,760</b>	<b>\$ 3,431,230</b>
<b>Reconciliation of Operating Income to Net Cash Flows</b>		
<b>Provided by Operating Activities:</b>		
Operating Income	\$ 1,274,217	\$ 605,735
<i>Adjustments to Reconcile Operating Income to Net Cash Flows</i>		
<i>Provided by Operating Activities:</i>		
Depreciation	496,663	494,851
<i>Changes in Assets and Liabilities:</i>		
Accounts Receivable	(132,301)	83,537
Prepaid Expenses	4,362	(16,435)
Accrued Expenses	11,370	6,175
Meter Deposits	3,753	11,433
<b>Net Cash Flows Provided by Operating Activities</b>	<b>\$ 1,658,064</b>	<b>\$ 1,185,296</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Capital Assets Donated	\$ 114,565	\$ 807,695
Capital Assets Purchased in Accounts Payable	58,503	-
Capital Assets Purchased through Long-Term Debt	383,324	-

The accompanying notes are an integral part of these statements.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(1) Nature of Activities and Summary of Significant Accounting Policies**

**Operations**

Rapid Valley Sanitary District/Water Service (the District) provides water and sewer services to the residents of the Rapid Valley subdivisions in Rapid City, South Dakota. The District collects monthly water and sewer payments and maintains the water and sewer systems. The District obtains its water primarily from its water treatment plant.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

**Method of Accounting**

The District uses the accrual method 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). The accounting policies of the District conform to generally accepted accounting principles applicable to enterprise funds of a government entity. In the Statements of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statements of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

**Capital Assets**

Property and equipment purchases over \$5,000 are capitalized at cost. Donated water and sewer systems are recorded as contributions and capitalized at the developer's cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Buildings	60 Years
Water and Sewer Systems	10-100 Years
Office Furniture	7 Years
Equipment and Vehicles	5-15 Years

The District has purchased water rights for use in operating its water treatment facility. The water rights are considered to have an indefinite life; therefore, amortization is not being recorded in accordance with accounting principles generally accepted in the United States of America. The assets are instead subject to an annual impairment test. At December 31, 2023, the District does not consider the assets to be impaired.

**Federal Income Tax**

Under South Dakota Codified Law, the District is considered to be a sanitary district form of local government, and therefore is not obligated to pay federal income tax.

**Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, the District considers cash in the bank, including restricted cash, and all temporary investments with original maturities of three months or less to be cash equivalents.

## **RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

#### **(1) Nature of Activities and Summary of Significant Accounting Policies**

##### **Equity Classifications**

Equity is classified as net position and is displayed in three components, as follows:

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 position that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

The District has a minimum fund balance policy of \$1,800,000 in addition to funds that are restricted by loan or other agreements for emergency and/or unexpected projects.

##### **(2) Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District manages its risks by purchasing from a commercial insurance carrier health insurance for its employees, liability and property insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials, and liability insurance for workmen's compensation. The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

##### **(3) Deposits and Investments**

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

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. 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, NCUA, and SIPC. 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 must be "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 including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; 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.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(3) Deposits and Investments**

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 consist of checking and savings accounts, nonnegotiable certificates of deposit, and money market accounts. The District’s investments consist of nonnegotiable certificates of deposit. All of these accounts are insured or collateralized in the District’s name.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The money market balances are measured at a Level 1 measurement.

As of December 31, 2023, the District’s cash consisted only of checking and savings with bank balances as follows:

	<u>Bank Balance</u>
Insured - FDIC	\$ 1,584,383
Uninsured, collateralized in accordance with SDCL 4-6A-3	2,796,200
Uninsured	16,282
<b>Total Deposits</b>	<b>\$ 4,396,865</b>

*Interest Rate, Credit, Concentration, and Custodial Risk:*

The District has a formal investment policy that limits investments to meet South Dakota codified law as stipulated above, and limits investment balances to be insured directly or indirectly by the federal government.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(4) Changes in Capital Assets**

Changes in capital assets were as follows during the years ended December 31, 2023 and 2022:

	Balance December 31, 2022	Additions	Transfers/ Dispositions	Balance December 31, 2023
<i>Capital Assets being Depreciated</i>				
Buildings	\$ 923,177	\$ -	\$ -	\$ 923,177
Water and Sewer Systems	34,745,672	139,550	392,847	35,278,069
Office Furniture	3,237	-	(3,237)	-
Equipment and Vehicles	452,114	8,933	-	461,047
	36,124,200	148,483	389,610	36,662,293
<i>Less Accumulated Depreciation</i>	11,687,415	496,662	(3,237)	12,180,840
<b>Net Capital Assets being Depreciated</b>	<b>\$ 24,436,785</b>	<b>\$ (348,179)</b>	<b>\$ 392,847</b>	<b>\$ 24,481,453</b>
<i>Capital Assets not being Depreciated</i>				
Land	\$ 1,060,942	\$ -	\$ -	\$ 1,060,942
Water Rights	1,243,173	-	-	1,243,173
Construction in Progress	447,401	582,887	(399,214)	631,074
<b>Net Capital Assets not being Depreciated</b>	<b>\$ 2,751,516</b>	<b>\$ 582,887</b>	<b>\$ (399,214)</b>	<b>\$ 2,935,189</b>
	Balance December 31, 2021	Additions	Transfers/ Dispositions	Balance December 31, 2022
<i>Capital Assets being Depreciated</i>				
Buildings	\$ 923,177	\$ -	\$ -	\$ 923,177
Water and Sewer Systems	33,999,139	807,695	(61,162)	34,745,672
Office Furniture	3,237	-	-	3,237
Equipment and Vehicles	429,482	50,274	(27,642)	452,114
	35,355,035	857,969	(88,804)	36,124,200
<i>Less Accumulated Depreciation</i>	11,400,205	494,851	(207,641)	11,687,415
<b>Net Capital Assets being Depreciated</b>	<b>\$ 23,954,830</b>	<b>\$ 363,118</b>	<b>\$ 118,837</b>	<b>\$ 24,436,785</b>
<i>Capital Assets not being Depreciated</i>				
Land	\$ 1,060,942	\$ -	\$ -	\$ 1,060,942
Water Rights	1,243,173	-	-	1,243,173
Construction in Progress	-	601,942	(154,541)	447,401
<b>Net Capital Assets not being Depreciated</b>	<b>\$ 2,304,115</b>	<b>\$ 601,942</b>	<b>\$ (154,541)</b>	<b>\$ 2,751,516</b>

The construction in progress includes costs for a system expansion for service to Box Elder, which will be funded with grant and loan funds. At December 31, 2023, commitments related to the system expansion project totaled approximately \$2,166,000. Subsequent to year end, the District entered into additional commitments related to the system expansion project totaling approximately \$6,341,000.



**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(5) Long-Term Debt**

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

	Revenue Bonds	Note Payable	State Revolving Loan	Total
Balance - December 31, 2021	\$ 6,379,216	\$ 367,466	\$ 301,139	\$ 7,047,821
Principal Repayments	(199,092)	(64,222)	(18,803)	(282,117)
Balance - December 31, 2022	6,180,124	303,244	282,336	6,765,704
Principal Repayments	(205,994)	(66,835)	(19,374)	(292,203)
Principal Borrowings	383,324	-	-	383,324
<b>Balance - December 31, 2023</b>	<b>\$ 6,357,454</b>	<b>\$ 236,409</b>	<b>\$ 262,962</b>	<b>\$ 6,856,825</b>

Long-term debt consists of the following at December 31:

	2023	2022
2019 Revenue bonds, due in annual installments of varying amounts including interest at 3.00 percent, maturing November 2041, secured by the water system and a pledge of water revenues. The debt is paid out of the water department.	<b>\$ 3,500,000</b>	\$ 3,645,000
Revenue bond, due to Rural Development in monthly installments of \$11,615, including interest at 3.75 percent, maturing in January 2049, secured by the water system and pledge of water revenues. The debt is paid out of the water department.	<b>2,308,122</b>	2,359,893
Note payable due in monthly installments of \$6,479, including interest at 4.00 percent, maturing in March 2027, secured by a pledge of water revenues, all deposit accounts, and all equipment. This debt is paid out of the water department.	<b>236,409</b>	303,244
State Revolving Fund Loan, due in quarterly installments of \$6,907, including interest at 3.00 percent, maturing February 2035, secured by water system and pledge of water revenues. The debt is paid out of the water department.	<b>262,962</b>	282,336
Series 2023 SRF Water Surcharge Revenue Bond, up to \$1,679,000, matures 30 years after initial loan amortization date, interest at 1.625 percent, due in quarterly instalments. Financed through the Water Department.	<b>383,323</b>	-
Unamortized Revenue bond premium	<b>166,009</b>	175,231
	<b>6,856,825</b>	6,765,704
Less Current Portion	<b>302,180</b>	292,164
	<b>\$ 6,554,645</b>	\$ 6,473,540

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(5) Long-Term Debt**

The annual requirements to amortize debt outstanding are as follows:

	Revenue Bonds		Note Payable		State Revolving Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 212,686	\$ 192,642	\$ 69,533	\$ 8,221	\$ 19,961	\$ 7,666	\$ 302,180	\$ 208,529
2025	219,968	185,860	72,391	5,362	20,567	7,060	312,926	198,282
2026	227,095	179,083	75,341	2,413	21,190	6,436	323,626	187,932
2027	234,303	172,076	19,144	129	21,833	5,793	275,280	177,998
2028	236,376	165,052	-	-	22,496	5,131	258,872	170,183
2029-2033	1,315,292	708,696	-	-	123,143	14,992	1,438,435	723,688
2034-2038	1,527,208	489,731	-	-	33,772	764	1,560,980	490,495
2039-2043	1,260,492	234,857	-	-	-	-	1,260,492	234,857
2044-2048	612,394	84,506	-	-	-	-	612,394	84,506
2049-2053	128,317	2,499	-	-	-	-	128,317	2,499
2023 SRF (a)	383,323	-	-	-	-	-	383,323	-
<b>Total</b>	<b>\$ 6,357,454</b>	<b>\$ 2,415,002</b>	<b>\$ 236,409</b>	<b>\$ 16,125</b>	<b>\$ 262,962</b>	<b>\$ 47,842</b>	<b>\$ 6,856,825</b>	<b>\$ 2,478,969</b>

(a) Loan amortization schedule to be determined when financed project is complete.

A debt reserve account is maintained with a balance of **\$435,504** and \$413,345 at December 31, 2023 and 2022, respectively, which exceeds the current year minimum debt covenant requirement of **\$405,150** for both years, required by the related debt agreements, and is reported as Restricted for Debt Service in the accompanying statements of net position.

The District has pledged future revenues associated with various debt agreements. All debt secured by pledged revenues funded capital projects and improvements. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Pledged revenues associated with each debt issue have been pledged through the maturity date listed above for each debt issue. Below is a comparison, for the water department, of principal and interest payments and total pledged revenues for the years ending December 31:

	<u>2023</u>	<u>2022</u>
Current Year Principal and Interest	\$ <b>517,397</b>	\$ 500,036
Pledged Revenue	<b>2,567,635</b>	2,198,360

**(6) Property Tax**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and are payable in two installments on or before April 30 and October 31 of the following year. The County bills and collects the District’s taxes and remits them to the District. State statute allows the tax rates to be raised by special election of the voters.

Property taxes are recorded as receivables in the year they are budgeted. Accordingly, taxes levied in October 2023, have not been recorded as a receivable in the accompanying statements of net position as the use of such has been budgeted for the 2024 fiscal year.

## RAPID VALLEY SANITARY DISTRICT/WATER SERVICE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

#### (7) Retirement Plan

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 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 South Dakota Codified Law 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://www.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 different 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 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 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.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25 percent.
- 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 percent and no greater than 3.5 percent.
- 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 percent 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 minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021, equal to the required contributions each year, were **\$35,909**, \$41,803, and \$32,360, respectively.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(7) Retirement Plan**

Generally accepted accounting principles require the District to record its share of the SDRS net pension asset or liability, related deferred balances and its share of net pension revenue or expense rather than recording the District's required retirement contributions, noted above. As of June 30, 2023 (the measurement date), SDRS is 100.10 percent funded and accordingly has a net pension asset based on actuarial assumptions including inflation, investment return, mortality tables, and other factors.

The District's share of the net pension asset was **.0218** percent and **.0237** percent at June 30, 2023 and 2022, respectively. Based on the overall insignificant impact to the financial statements, the District has elected not to record the pension activity. For the year ended December 31, 2023, if the District had recorded the pension activity, a net pension asset totaling approximately **\$2,000** would have been recorded along with deferred outflows of resources of approximately **\$165,000** and deferred inflows of resources of approximately **\$106,000**. For the year ended December 31, 2022, if the District had recorded the pension activity, a net pension asset totaling approximately \$2,000 would have been recorded along with deferred outflows of resources of approximately \$206,000 and deferred inflows of resources of approximately \$130,000. In addition, pension expense would have increased approximately **\$17,000** and decreased approximately \$17,000 for the years ending December 31, 2023 and 2022, respectively.

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(8) Segment Information**

Summarized financial information for the water and sewer departments is presented below:

*Balance Sheets at December 31:*

	Water		Sewer		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current Assets						
Cash and Cash						
Equivalents	\$ 1,614,431	\$ 1,316,632	\$ 2,778,179	\$ 1,709,448	\$ 4,392,610	\$ 3,026,080
Investments	-	-	702,156	698,082	702,156	698,082
Other Current Assets	298,165	235,668	289,438	223,996	587,603	459,664
Net Capital Assets,						
Depreciated	17,293,512	17,172,421	7,187,941	7,264,364	24,481,453	24,436,785
Net Capital Assets, Not						
Depreciated	2,353,871	2,221,045	581,318	530,471	2,935,189	2,751,516
Other Assets	68,517	64,328	68,517	64,328	137,034	128,656
Restricted Cash and						
Cash Equivalents	405,150	405,150	-	-	405,150	405,150
<b>Total Assets</b>	<b>\$ 22,033,646</b>	<b>\$ 21,415,244</b>	<b>\$ 11,607,549</b>	<b>\$ 10,490,689</b>	<b>\$ 33,641,195</b>	<b>\$ 31,905,933</b>
<b>Liabilities</b>						
Current Liabilities						
	\$ 549,630	\$ 486,950	\$ 55,783	\$ 34,821	\$ 605,413	\$ 521,771
Noncurrent Liabilities						
	6,554,645	6,473,540	-	-	6,554,645	6,473,540
<b>Total Liabilities</b>	<b>7,104,275</b>	<b>6,960,490</b>	<b>55,783</b>	<b>34,821</b>	<b>7,160,058</b>	<b>6,995,311</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	12,790,558	12,627,762	7,769,259	7,794,835	20,559,817	20,422,597
Restricted for Debt Service	405,150	405,150	-	-	405,150	405,150
Unrestricted	1,733,663	1,421,842	3,782,507	2,661,033	5,516,170	4,082,875
<b>Total Net Position</b>	<b>14,929,371</b>	<b>14,454,754</b>	<b>11,551,766</b>	<b>10,455,868</b>	<b>26,481,137</b>	<b>24,910,622</b>
<b>Total Liabilities and</b>						
<b>Net Position</b>	<b>\$ 22,033,646</b>	<b>\$ 21,415,244</b>	<b>\$ 11,607,549</b>	<b>\$ 10,490,689</b>	<b>\$ 33,641,195</b>	<b>\$ 31,905,933</b>

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(8) Segment Information**

*Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31:*

	Water		Sewer		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
User Charges	\$ 2,567,635	\$ 2,198,360	\$ 2,398,908	\$ 2,035,078	\$ 4,966,543	\$ 4,233,438
Late Fees	68,052	66,278	68,052	66,277	136,104	132,555
Charges for Services and Fees, Net	117,664	126,452	13,799	15,941	131,463	142,393
Permits	-	-	50,400	25,200	50,400	25,200
<b>Total Revenues</b>	<b>2,753,351</b>	<b>2,391,090</b>	<b>2,531,159</b>	<b>2,142,496</b>	<b>5,284,510</b>	<b>4,533,586</b>
<b>Costs of Sales</b>	<b>16,747</b>	<b>16,724</b>	<b>1,229,079</b>	<b>1,235,204</b>	<b>1,245,826</b>	<b>1,251,928</b>
<b>Gross Margin</b>	<b>2,736,604</b>	<b>2,374,366</b>	<b>1,302,080</b>	<b>907,292</b>	<b>4,038,684</b>	<b>3,281,658</b>
Depreciation Expense	370,538	369,270	126,125	125,581	496,663	494,851
<b>Other Operating Expenses</b>						
Salaries and Wages	368,527	349,961	245,684	233,307	614,211	583,268
Maintenance Supplies	199,229	124,750	85,384	53,464	284,613	178,214
Insurance - Health	111,250	127,913	74,166	85,275	185,416	213,188
Repairs	173,859	207,495	5,217	10,381	179,076	217,876
Chemical Supplies - Water	171,513	173,934	-	-	171,513	173,934
Utilities and Telephone	133,568	141,378	33,392	35,345	166,960	176,723
Office Supplies/Equipment	76,975	79,507	76,975	79,507	153,950	159,014
Meters and Equipment	92,237	83,578	21,036	8,752	113,273	92,330
Insurance - Umbrella	40,114	38,410	17,192	16,461	57,306	54,871
Taxes - Payroll	28,463	27,609	18,976	18,406	47,439	46,015
Professional Fees	23,514	30,058	22,304	14,265	45,818	44,323
Retirement Plan Funding	21,545	25,082	14,364	16,721	35,909	41,803
Contract Agreements	24,331	21,603	10,428	9,259	34,759	30,862
Miscellaneous	25,722	8,243	5,856	8,243	31,578	16,486
Sewer Main Cleaning	-	-	26,950	26,009	26,950	26,009
Dues, Donations, and Subscriptions	18,143	17,396	7,776	7,455	25,919	24,851
Trustee Fees	11,858	10,840	11,858	10,840	23,716	21,680
Truck and Equipment Expense	13,723	21,614	5,881	9,263	19,604	30,877
Engineering Costs	11,344	13,321	6,953	11,678	18,297	24,999
Public Relations	6,984	3,240	6,984	3,240	13,968	6,480
Conference and Travel	7,215	7,306	3,092	3,131	10,307	10,437
Trustee Travel	3,382	2,577	3,382	2,577	6,764	5,154
Advertising	229	839	229	839	458	1,678
<b>Total Other Operating Expenses</b>	<b>1,563,725</b>	<b>1,516,654</b>	<b>704,079</b>	<b>664,418</b>	<b>2,267,804</b>	<b>2,181,072</b>
<b>Operating Income</b>	<b>802,341</b>	<b>488,442</b>	<b>471,876</b>	<b>117,293</b>	<b>1,274,217</b>	<b>605,735</b>

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(8) Segment Information**

*Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31 (Continued):*

	Water		Sewer		Total	
	2023	2022	2023	2022	2023	2022
<b>Non-Operating Income (Expense)</b>						
Property Taxes	-	-	297,884	277,968	297,884	277,968
Donated Systems	69,330	362,230	45,235	445,465	114,565	807,695
Lease Income	28,697	28,697	-	-	28,697	28,697
Miscellaneous Income	2,620	7,170	2,620	7,170	5,240	14,340
Interest Expense	(225,194)	(217,919)	-	-	(225,194)	(217,919)
<b>Total Non-Operating Income</b>	<b>(124,547)</b>	<b>180,178</b>	<b>345,739</b>	<b>730,603</b>	<b>221,192</b>	<b>910,781</b>
<b>Income before Investment Income</b>	<b>677,794</b>	<b>668,620</b>	<b>817,615</b>	<b>847,896</b>	<b>1,495,409</b>	<b>1,516,516</b>
<b>Investment Income</b>	<b>30,119</b>	<b>5,978</b>	<b>44,987</b>	<b>27,734</b>	<b>75,106</b>	<b>33,712</b>
<b>Income Before Transfers</b>	<b>707,913</b>	<b>674,598</b>	<b>862,602</b>	<b>875,630</b>	<b>1,570,515</b>	<b>1,550,228</b>
<b>Transfers</b>	<b>(233,296)</b>	<b>189,790</b>	<b>233,296</b>	<b>(189,790)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>474,617</b>	<b>864,388</b>	<b>1,095,898</b>	<b>685,840</b>	<b>1,570,515</b>	<b>1,550,228</b>
Beginning Net Position	14,454,754	13,590,366	10,455,868	9,770,028	24,910,622	23,360,394
<b>Ending Net Position</b>	<b>\$ 14,929,371</b>	<b>\$ 14,454,754</b>	<b>\$ 11,551,766</b>	<b>\$ 10,455,868</b>	<b>\$ 26,481,137</b>	<b>\$ 24,910,622</b>

*Statements of Cash Flows for the years ended December 31:*

	Water		Sewer		Total	
	2023	2022	2023	2022	2023	2022
Net Cash Flows From Operating Activities	\$ 1,104,543	\$ 916,982	\$ 553,521	\$ 268,314	\$ 1,658,064	\$ 1,185,296
Net Cash Flows From Noncapital Financing Activities	(201,979)	225,657	533,800	95,348	331,821	321,005
Net Cash Flows From Capital and Related Financing Activities	(630,695)	(1,091,411)	(55,314)	(25,137)	(686,009)	(1,116,548)
Net Cash Flows From Investing Activities	25,930	(3,438)	36,724	16,726	62,654	13,288
Net Change in Cash and Cash Equivalents	297,799	47,790	1,068,731	355,251	1,366,530	403,041
Cash and Cash Equivalents -- Beginning	1,721,782	1,673,992	1,709,448	1,354,197	3,431,230	3,028,189
<b>Cash and Cash Equivalents -- Ending</b>	<b>\$ 2,019,581</b>	<b>\$ 1,721,782</b>	<b>\$ 2,778,179</b>	<b>\$ 1,709,448</b>	<b>\$ 4,797,760</b>	<b>\$ 3,431,230</b>

OTHER REPORTS





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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 Trustees  
Rapid Valley Sanitary District/Water Service  
Rapid City, 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 Rapid Valley Sanitary District/Water Service (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2024.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to Findings**

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

Board of Trustees

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**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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by SD Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



KETEL THORSTENSON, LLP  
Certified Public Accountants

May 13, 2024

**RAPID VALLEY SANITARY DISTRICT/WATER SERVICE**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2023**

**CURRENT YEAR AUDIT FINDINGS**

**Material Weaknesses in Internal Control**

2023-001 Finding: Audit Adjustments

Condition and Cause: As in prior years, we were requested to make adjustments to reclassify principal borrowings and repayments of long-term debt, adjust capital assets and related depreciation balances, record donated water and sewer systems, accrued vacation, and to adjust accounts payable and accounts receivable. Total adjustments resulted in a \$12,450 net increase in reported change in net position.

Criteria and Effect: The District maintains its books on a cash basis of accounting throughout the year and has processes in place to review monthly financial statements in this format, which is consistent with the budgeting process. Material audit adjustments were necessary to prepare the financial statements according to accounting principles generally accepted in the United States of America.

Recommendation: We recommend management continue to provide information necessary to prepare accrual-based financial statements at year end as part of the audit and to review all audit adjustments posted for propriety. Management should track capital asset purchases throughout the year, including date of purchase, asset description, total cost, and expense account charged.

Views of Responsible Officials: See District's Corrective Action Plan.

2023-002 Finding: Financial Statement Preparation

Condition and Cause: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for districts of your size.

Criteria and Effect: It is our responsibility to inform the Board that this deficiency could result in a material misstatement to the financial statements that would have not been prevented or detected by the District's management.

Recommendation: As in prior years, we have instructed management to review a draft of the auditor-prepared financial statements in detail for their accuracy. We have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's statements. We are satisfied the appropriate steps have been taken to provide the District with complete financial statements. It is the District's responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: See District's Corrective Action Plan.



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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023**

Rapid Valley Sanitary District/Water Service respectfully submits the following summary schedule of prior audit findings from the December 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

### Finding No. 2022-001: Audit Adjustments

*Status:* The District maintains its books on a cash basis. However, the District maintains supporting documentation for receivables, capital assets and other accruals. The District reviews the audit adjustments for propriety each year.

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* District management and the board of directors prefers to review financial activity throughout the year on a cash basis. Management and the board are comfortable with review of the accrual basis adjustments at the end of each year. Therefore, the finding is repeated in the Schedule of Findings. See Corrective Action Plan.

### Finding No. 2022-002: Financial Statement Preparation

*Status:* It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The District has designated members of management to review the draft financial statements and accompanying notes to the financial statements.

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* As the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2023, see Corrective Action Plan.



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**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2023**

Rapid Valley Sanitary District/Water Service respectfully submits the following corrective action plan regarding findings from the December 31, 2023, Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

**2023-001 Finding: Audit Adjustments:**

The District maintains its records on a cash basis throughout the year for budgetary comparison reasons. The District annually reviews the year-end adjustments provided by the auditors and posts the entries to the general ledger. The General Manager is responsible for the annual review of these adjustments.

**2023-002 Finding: Financial Statement Preparation:**

At this time, the District will accept the degree of risk associated with this condition. For future audits, we will continue to review the financial statements in detail and agree to internal records and expectations. The General Manager is responsible for the corrective action plan for this finding.