From the **KINGSBURY COUNTY COMMISSIONERS**
Kingsbury County . . . De Smet, South Dakota

202 2nd St. S. E.
P.O. Box 196
De Smet, SD 57231

Phone: 605-854-3832
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August 4, 2026

Department of Legislative Audit Kasie Ingraham, Auditor

427 S. Chapelle
Pierre, SD 57501

We are providing this letter in connection with your audit of the financial statements of Kingsbury County as of December 31, 2024 and for each of the two years in the biennial period then ended for the purpose of expressing an opinion as to whether the modified cash basis general purpose financial statements present fairly, in all material respects, the financial position of the governmental activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kingsbury County and the respective changes in financial position in conformity with a comprehensive basis of accounting other than generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the aforementioned financial statements in conformity with a comprehensive basis of accounting other than generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining appropriate internal controls, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your examination.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 7, 2025, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance a basis of accounting other than United States Generally Accepted Accounting Principles (modified cash basis).

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.

6. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

8. Related party relationships and transactions have been appropriately accounted for and disclosed.

9. All events subsequent to the date of the financial statements requiring adjustment or disclosure have been adjusted or disclosed.

10. The effects of uncorrected misstatements and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.

12. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.

13. All funds and activities are properly classified.

14. All funds that meet the quantitative criteria in GASB Statement No. 34 and GASB Statement No. 65 for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

15. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.

16. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.

19. All interfund and intra-entity transactions and balances have been properly classified and reported.

20. Special items and extraordinary items have been properly classified and reported.

21. Deposit and investment risks have been properly and fully disclosed.

22. With respect to your assistance in the preparation of the Notes to the Financial Statements and the Schedule of the County's Proportionate Share of Net Pension Liability we have performed the following:
    a. Made all management decisions and performed all management functions;
    b. Assigned a competent individual to oversee the services;
    c. Evaluated the adequacy of the services performed;
    d. Evaluated and accepted responsibility for the result of the service performed; and
    e. Established and maintained internal controls, including monitoring ongoing activities.

23. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

24. All transactions have been recorded in the accounting records and are reflected in the financial statements.

25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.

26. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

27. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

30. The County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

31. We have disclosed to you all guarantees, whether written or oral, under which the County is contingently liable.

32. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

34. There are no:
    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
    d. Restrictions, assignments or commitments of fund equity that were not properly authorized and approved.

35. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

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Board Chairperson

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County Auditor

I have reviewed the Schedule of Officials for the CY 2023-2024 audit period and agree with the spelling of the Officials names and that the Schedule of Officials is accurate as of December 31, 2024.

I have read the Notes to the Financial Statements for the CY 2023-2024 audit period and concur with their contents and use as part of my financial statements.

I have reviewed the Schedule of Changes in Long-Term Debt for the CY 2023-2024 audit period and agree with its contents, presentation and use as supplementary information to my financial statements.

I have reviewed the Schedule of the County's Proportionate Share of Net Pension Asset and agree with its contents, presentation and use as supplementary information to my financial statements.

I have reviewed the master lead schedule of audit findings.

The County does not wish to respond to the written audit findings.

I have reviewed the formal audit adjustments and agree with the posting of the adjustments to the financial statements.

Echo Steffensen 7/20/2026

County Auditor

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

August 4, 2026

Kingsbury County
202 2nd Street SE
DeSmet, SD 57231

In planning and performing our audit of the financial statements of Kingsbury County (County) as of December 31, 2024 and for each of the years in the biennial period then ended, 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, we considered County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

Auditing standards generally accepted in the United States of America and *Government Auditing Standards* require that we provide you with this management letter to communicate:

1. Deficiencies Noted in Internal Control:

    a. Deficiencies in internal control which are material weaknesses or significant deficiencies. Material weaknesses and significant deficiencies will be included in the schedule of current audit findings included in the audit report and are summarized later in this letter.
    b. Deficiencies noted in internal control which did not rise to the level of being a material weakness or significant deficiency, yet are important enough to merit attention by those charged with governance. These deficiencies are described in detail later in this letter.

2. Violations of laws, rules and regulations and provisions of contracts or grant agreements.

    a. Material violations of laws, rules and regulations and provisions of contracts or grant agreements. Material violations will be included in the schedule of current audit findings included in the audit report and are summarized later in this letter.
    b. Immaterial violations of laws, rules and regulations and provisions of contracts or grant agreements. These violations are described in detail later in this letter.

3. All unadjusted proposed audit adjustments to the financial statements which were not corrected, including the nature, amount and effect of the uncorrected misstatements. These adjustments have been determined by management to be immaterial, both individually and in the aggregate, to the financial statements, taken as a whole. The lead schedule of potential audit adjustments has been given to and discussed with Echo Steffensen, County Auditor.

Deficiencies Noted in Internal Control Which Are Material Weaknesses Or Significant Deficiencies which are included in the schedule of current audit findings in the audit report:

1. The County does not have an internal control system designed to provide for the preparation of the annual financial reports in accordance with the modified cash basis of accounting. We noted numerous significant reporting errors within the annual reports prepared by the County. This finding is discussed further in Current Audit Finding No. 2024-001.

Deficiencies Noted in Internal Control Which Did Not Rise To The Level Of Being A Material Weakness or Significant Deficiency Yet Important Enough To Merit Attention Of Those Charged With Governance:

None Disclosed

Material Violations of Laws, Rules, and Regulations and Provisions of Contract and Grant Agreements which are included in the schedule of current audit findings in the audit report:

None Disclosed

Immaterial Violations of Laws, Rules, and Regulations and Provisions of Contract and Grant Agreements

1. Noted that unassigned fund balance of the General Fund exceeded the maximum allowed by SDCL 7-21-18.1 by approximately $290,000 as of December 31, 2023. We recommend that the County comply with SDCL 7-21-18.1. This is discussed further in current audit finding No. 2024-002.

2. The County Auditor had not compared the list of delinquent taxpayers to the tax account record at December 31 of each year as required by SDCL 10-17-9. We recommend that the auditor reconcile the tax account record to the list of delinquent taxpayers as of December 31 each year.

3. There are multiple properties that were eligible for tax deed procurement during the audit period. We recommend the county treasurer institute the tax deed procurement procedures in accordance with SDCL 10-23-7 and 10-25-1.

We also noted other less significant items through out the course of the audit that were discussed with management.

This communication is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of Kingsbury County and is not intended to be and should not be used by anyone other than these specified parties. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

If you have any questions, please contact me.

Sincerely,

Kasie Ingraham
Auditor-in-Charge

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

August 4, 2026

Kingsbury County
202 2nd Street SE
DeSmet, SD 57231

This letter is intended to inform you of matters that must be formally communicated to those charged with governance in accordance with auditing standards generally accepted in the United States of America. These required communications include, but are not limited to, the following:

1) The auditor's views about qualitative aspects of the entity's significant accounting practices.
2) Any significant difficulties encountered during the audit.
3) Any disagreements with management.
4) Corrected and uncorrected misstatements, other than those that are trivial, brought to management's attention as a result of the audit.
5) Representations the auditor has requested from management.
6) Management's consultation with other accountants, if any.
7) Any significant issues arising from the audit that were discussed or communicated to management.
8) Any other findings or issues considered significant or relevant to those charged with governance regarding their oversight of the financial reporting process, such as any threats to auditor independence.

As part of performing the audit of the financial statements of Kingsbury County (County) as of December 31, 2024 and for each of the years in the biennial period then ended, we have identified the following matters that we feel are required to be communicated to those charged with governance.

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant policies used by the County are described in Note 1 to the financial statements. No accounting policies were changed during the audit period noted above. We noted no transactions entered into by the County during the audit period for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit
We noted no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management
For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no significant disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management and those charged with governance.

There were no material unposted audit adjustments for the audit period ended December 31, 2024. A recap of significant auditor recommended adjustments that were posted to the financial statements were given to and approved by the County Auditor.

Management Representations
We have requested certain representations from management that are included in the management representation letters dated August 4, 2026.

Management's Consultation with other Accountants
In some cases management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Emphasis of Matter
Professional standards require us to communicate with management those items listed in our opinion letters as "Emphasis of Matter". This includes such items as the basis of accounting by which the financial statements were prepared, implementing governmental accounting standards in the first year of implementation and correction of material prior period adjustments. The language of the emphasis of matter paragraphs is as follows:

"As discussed in Note 2 to the financial statements, in 2023, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements; however, this implementation did not result in a restatement of the net position as of January 1, 2023. Our opinions are not modified with respect to this matter."

"As discussed in Note 2 to the financial statements, in 2024, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections; however, this implementation did not result in a restatement of the net position as of January 1, 2024. Our opinions are not modified with respect to this matter."

Other Audit Findings or Issues
There were no other findings or issues noted during the audit.

This communication is intended solely for the information and use of those charged with governance and, if appropriate, management and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Kasie Ingraham
Auditor-in-Charge

I have reviewed the Schedule of Officials for the CY 2023-2024 audit period and agree with the spelling of the Officials names and that the Schedule of Officials is accurate as of December 31, 2024.

I have read the Notes to the Financial Statements for the CY 2023-2024 audit period and concur with their contents and use as part of my financial statements.

I have reviewed the Schedule of Changes in Long-Term Debt for the CY 2023-2024 audit period and agree with its contents, presentation and use as supplementary information to my financial statements.

I have reviewed the Schedule of the County's Proportionate Share of Net Pension Asset and agree with its contents, presentation and use as supplementary information to my financial statements.

I have reviewed the master lead schedule of audit findings.

The County **does/does not** wish to respond to the written audit findings.

I have reviewed the formal audit adjustments and agree with the posting of the adjustments to the financial statements.

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County Auditor

KINGSBURY COUNTY
COUNTY OFFICIALS
December 31, 2024

Board of Commissioners:
Kyle Lee
Corey Lundquist
Troy Nelson
Roger Walls
Steven Spilde

Auditor:
Echo Steffensen

Treasurer:
Michelle Longville

State's Attorney:
John Delzer

Register of Deeds:
Caryn Hojer

Sheriff:
Steven Strande

KINGSBURY COUNTY
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a 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. Financial Reporting Entity:

The reporting entity of Kingsbury County (County), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); 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.

The County has created a Housing and Redevelopment Commission (HRC) under the authority of South Dakota Codified Law 11-7-7. The County created this HRC solely for the purpose of abdicating its power or authority over the housing projects within Kingsbury County to the Brookings County Housing and Redevelopment Commission organized by Brookings County. The County Commission, though, retains the statutory authority for the County Commissioner's Chairperson with the approval of the Board of County Commissioners for the appointment of five members of the HRC for five-year, staggered terms. The HRC elects its own Chairperson and recruits and employees its own management personnel and other workers. The County Commission also retains the statutory authority to approve or deny, or otherwise modify, the HRC's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the HRC. Because Kingsbury County abdicated their power and authority over this HRC to the Housing and Redevelopment Commission of Brookings County organized by Brookings County, this component unit's financial activity is not included on Kingsbury County's annual report. The financial activity of this component unit would be included as a component unit on Brookings County's annual report.

The County and the Municipality of Lake Preston jointly govern the Kingsbury County Regional Railroad Authority. See detailed note entitled "Jointly Governed Organizations" for specific disclosures.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent 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.

The funds of the County financial reporting entity are described below:

Governmental Funds:

<u>General Fund</u> – *The General Fund is the general operating fund of the County. 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.*

<u>Special Revenue Funds</u> – *Special revenue funds are used to account for the proceeds of specific revenue 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.*

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund (SDCL 32-11-2 and 32-11-4.2). This is a major fund.

Rural Access Infrastructure Fund - A special revenue fund authorized by SDCL 31-34 to account for the receipts and expenditures associating with the planning and completing an inventory and construction or repair of rural infrastructure. Modified cash basis of accounting. The Rural Access Infrastructure Fund is a major fund.

The remaining special revenue funds are not considered major funds: 911 Service, DARE, Emergency Management, Domestic Abuse, Revolving Loan, 24/7 Sobriety and Modernization and Preservation Relief. These funds are reported on the fund financial statements as "Other Governmental Funds."

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Ditch #4 Debt Service Fund – to account for special assessments which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Ditch #4 Capital Projects Fund – to account for financial resources to be used for the construction of drainage control ditch funded by special assessments and long-term debt issuance. This is not a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.

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 County's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, 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:

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

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

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a 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 statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) 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. The acceptable modification to the cash basis of accounting implemented by the County in these financial statements is:

> Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

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) <u>are not recorded</u> in these financial statements.

If the County applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. <u>Deposits and Investments</u>:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. <u>Capital Assets</u>:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

f. <u>Long-Term Liabilities</u>:

Long-term liabilities may include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Lease Liabilities, Subscription Liabilities, and Other Long-Term Liabilities.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, are presented using a modified cash basis of accounting. The County has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the County. The County does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The County has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

g. <u>Program Revenues</u>:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues 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.

h. <u>Equity Classifications</u>:

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 do not meet the definition of Restricted Net Position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Fiduciary fund equity is reported as restricted net position.

i. <u>Application of Net Position</u>:

It is the County'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 positions are available.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the County Commissioners.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The County uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The County *does not* have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund	**Revenue Source**
Road and Bridge Fund	Motor Vehicle Licenses, Wheel Tax and Grants
Rual Access Infrastructure Fund	Intergovernmental Revenue

A schedule of fund balances is provided as follows:

KINGSBURY COUNTY
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Road and Bridge Fund	Rural Access Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Restricted For:					
Fairground Improvement Purposes	12,000.00				12,000.00
Pavement Marking Purposes		12,723.63			12,723.63
Rural Access Infrastructure Purposes			671,191.17		671,191.17
Ditch Capital Projects Purposes				164,561.69	164,561.69
911 Service Purposes				79,078.44	79,078.44
24/7 Sobriety Purposes				32,129.01	32,129.01
Revolving Loan Purposes				28,792.22	28,792.22
Modernization and Preservation Relief Purposes				28,333.78	28,333.78
Ditch Debt Service Purposes				12,765.09	12,765.09
Dare Purposes				1,125.46	1,125.46
Domestic Abuse Purposes				1.04	1.04
Assigned To:					
Applied to Next Year's Budget	133,706.00				133,706.00
Courthouse Repair Purposes	623,390.00				623,390.00
Road and Bridge Purposes	620,000.00	1,292,335.73			1,912,335.73
Emergency Management Purposes				71,957.77	71,957.77
Courthouse Beautification Purposes	1,637.71				1,637.71
Help America Vote Purposes	248.11				248.11
Unassigned	1,538,623.54				1,538,623.54
Total Fund Balances	$2,929,605.36	$1,305,059.36	$671,191.17	$418,744.50	5,324,600.39

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement In 2023, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement improves accounting and financial reporting for SBITAs; enhances the comparability of financial statements between governments; and also enhances the understandability, reliability, relevance, and consistency of information about SBITAs. The County prepared and presented the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; therefore, the implementation of this standard did not affect beginning net position or beginning fund balances.

In 2024, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to work within the financial reporting entity and describes the transactions or other events that constitutes those changes. There was no effect on beginning net position due to the implementation of this standard.

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County 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 summarized below:

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County 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 may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2024, the investments reported in the financial statements consist of only certificates of deposit.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2024, the County's deposits in financial institutions were not exposed to custodial credit risk.

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from investments to the fund making the investment.

4. 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 the following 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 County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the County.

5. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2024 was as follows:

Major Purposes:		
Rural Access Infrastructure Purposes	$671,191.17	
Ditch Capital Projects Purposes	164,561.69	
Other Purposes:		
911 Service Purposes	79,078.44	
24/7 Sobriety Purposes	32,129.01	
Revolving Loan Purposes	28,792.22	
Modernization and Preservation Relief Purposes	28,333.78	
Ditch Debt Service Purposes	12,765.09	
Pavement Marking Purposes	12,723.63	
Road & Bridge Purposes	12,000.00	
Dare Purposes	1,125.46	
Domestic Abuse Purposes	1.04	
Total Other Purposes	206,948.67	
Total Restricted Net Position		**$1,042,701.53**

These balances are restricted due to federal grant, statutory and donor requirements.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2024 were as follows:

Transfers From:	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
	Transfers To:			
Major Funds:				
General Fund	$0	$872,050.00	$88,729.00	$960,779.00

Interfund transfers for the year ended December 31, 2023, were as follows:

Transfers From:	General Fund	Road and Bridge Fund	Other Government al Funds	Total
	Transfers To:			
Major Funds:				
General Fund	$0	$1,250,000.00	$0	$1,250,000.00

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund (Other Governmental Fund) to conduct the indispensable functions of the County.

7. TAX ABATEMENTS

The Municipality of Lake Preston has created a tax increment district under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.
In September of 2022, the Municipality of Lake Preston created a tax increment district. Because the general property taxes on tax increment district are allocated to the districts, the taxes are not available to Kingsbury County during the life of the tax increment district.

The amount of general property taxes levied for this tax increment district during the calendar year ended December 31, 2023 and December 31, 2024, were $0.00 and $14,468.95 ,respectively. Based on the percentage of Kingsbury County's property tax levy in relation to the total levy, the amount of general property taxes not available to Kingsbury County for 2023 and 2024 was $0.00 and $1,852.70, respectively.

8. 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 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. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the calendar years ended December 31, 2024, 2023, and 2022, equal to the required contributions each year, were as follows:

Year	Amount
2024	$ 102,917.93
2023	$ 92,784.84
2022	$ 92,548.91

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2024, SDRS is 100.0% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the County as of this measurement period ending June 30, 2024, are as follows:

Proportionate share of total pension liability	$8,714,651.64
Less proportionate share of net position restricted for pension benefits	$8,717,016.31
Proportionate share of net pension asset	($2,364.67)

The net pension asset was measured as of June 30, 2024, and the total pension liability used to calculate the net pension asset was based on a projection of the County's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the County's proportion was 0.058416%, which is a decrease of -0.002434% from its proportion measured as of June 30, 2023.

Actuarial Assumptions:
The total pension asset in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.71%

Mortality Rates:
- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2021
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010

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

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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, 2024 (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%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

Discount Rate:
The discount rate used to measure the total pension 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 asset.

Sensitivity of Liability (Asset) to Changes in the Discount Rate:
The following presents the County's proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset)	$1,201,594.83	($2,364.67)	($987,578.56)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

9. JOINTLY GOVERNED ORGANIZATIONS

The County, in conjunction with the Municipality of Lake Preston (members), created the Kingsbury County Regional Railroad Authority (Authority). The Authority was created to maintain and improve the railroad to and in their respective jurisdictions. The Authority was create as allowed by SDCL 49-17A and was incorporated on March 20, 2009. The Authority's board is comprised of five commissioners, two commissioners appointed by each of the members and one commissioner appointed by the joint agreement of the members. The political subdivisions which are members of the Authority and their commissioners, officers and agents shall not be liable for any obligations of the Authority. The Authority shall not certify to any of the governing bodies of the members any tax from the governing body to which the certification shall be made. The Authority shall not issue bonds or notes as allowed by SDCL 49-17A-27 for which it or any other entity shall become liable without the approval of the governing boards of a majority of the Members.

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2024, the County was involved in three lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

11. RISK MANAGEMENT

The County 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 period ended December 31, 2024, the County managed its risks as follows:

Employee Health Insurance:

The County 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 County 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 provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County'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 County. The County pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

General Liability
Automobile Liability
Law Enforcement Liability
Officials Liability

The County carries a $2,000 deductible for the law enforcement coverage and $1,000 deductible for the official's coverage.

The County 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.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (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 County'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 County 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 statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

The County 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 over the past three years.

Unemployment Benefits:

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

SUPPLEMENTARY INFORMATION
KINGSBURY COUNTY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Two Years Ended December 31, 2024

Indebtedness	Long-Term Debt 01/01/2023	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/2024
Governmental Long-Term Debt:				
241 Bonds Payable	111,660.40		53,904.72	57,755.68
245 Other Long-Term Debt Liabilities	190,131.41	199,368.29	187,381.68	202,118.02
Total	301,791.81	199,368.29	241,286.40	259,873.70

(Do not include interest in the above figures)

Note 1 - Long-Term Debt:

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

Bonda Payable:

Big Ditch Revenue Bonds, Series 2017, Interest Rate 3.490%, Annual payments began June 1, 2018 with the final payment due June 1, 2025. Payments are made from the Ditch #4 Debt Service Fund.	$ 57,755.68

Other Long-Term Liabilities:

Caterpillar 140M3 Motor Grader Financed Purchase Agreement, Issued February 1, 2020 having annual principal and interest payments of $67,723.94 with a final maturity of February 1, 2025 and an interest rate of 3.34% Debt is serviced by the Road and Bridge Fund.	$ 65,502.33
Caterpillar 12M3 Motor Grader Financed Purchase Agreement, Issued July 1, 2023 having annual principal and interest payments of $74,296.02 with a final maturity of July 1, 2026 and an interest rate of 5.79% Debt is serviced by the Road and Bridge Fund.	$ 136,615.69

SUPPLEMENTARY INFORMATION
KINGSBURY COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System

Last 10 Years *

Calendar Year	County's Proportion of the Net Pension Liability/Asset	County's Proportionate Share of the Net Pension Liability/Asset	County's Covered Payroll	County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2024	0.058416%	$ (2,365)	$ 1,556,801	0.15%	100.00%
2023	0.060850%	$ (5,939)	$ 1,494,288	0.40%	100.10%
2022	0.059868%	$ (5,658)	$ 1,350,254	0.42%	100.10%
2021	0.065871%	$ (504,459)	$ 1,417,051	35.60%	105.52%
2020	0.064005%	$ (2,780)	$ 1,333,618	0.21%	100.04%
2019	0.064445%	$ (6,829)	$ 1,298,151	0.53%	100.09%
2018	0.064745%	$ (1,510)	$ 1,276,918	0.12%	100.02%
2017	0.063000%	$ (5,717)	$ 1,208,901	0.47%	100.10%
2016	0.060641%	$ 204,838	$ 1,088,620	18.82%	96.89%
2015	0.057119%	$ (242,258)	$ 981,792	24.68%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

KINGSBURY COUNTY
NOTES TO THE SUPPLEMENTARY INFORMATION
Schedule of the Proportionate Share of the Net Pension Liability (Asset)

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

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

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

Kingsbury County

CLOSING
WTB's-Formal Adjusting Journal Entries
CY2023-CY2024

6200.03
P3-FSS-Formal Adjustments (updated April 2020)

AJE#	OPINION UNIT / ACCOUNT / DESCRIPTION	YEAR/ EXHIBIT	WP REFERENCE	DEBIT	CREDIT
	2024 Governmental Activities:				
1	Interest on Long-term Debt	2024/ II	4530.04	$ 67,723.94	
	Public Works Expense ($67,723.94)				$ 67,723.94
	To properly report interest expense.				
2	Program Revenue-Capital Grants-Public Safety	2024 / II	6200.01	$ 204,368.33	
	Program Revenue-Operating Grants-Public Works ($204,368.33)				$ 204,368.33
	To properly report Public works expense on Ex II				
	2023 Governmental Activities:				
3	Investment Earnings	2023 / II	2850.01	$ 203.69	
	Beginning Fund Balance ($203.69)				$ 203.69
	To allow beginning fund balance to match prior audit ending.				
13	Public Works Expense	2023/ II	4530.04	$ 199,368.29	
	Debt Issued				$ 199,368.29
	To report the revenues and expenses related to the inception of a lease.				
	2024 General Fund:				
15	State Grants	2024 / IV	5100.01	$ 695,078.00	
	Other State Shared Revenues				$ 695,078.00
	To properly reclassify and report revenues.				
	2023 General Fund:				
4	Investment Earnings	2023 / IV	2850.01	$ 203.69	
	Beginning Fund Balance ($203.69)				$ 203.69
	To allow beginning fund balance to match prior audit ending.				
	2024 Road and Bridge Fund:				
5	Debt Service	2024 / IV	4530.04	$ 67,723.94	
	Highways, Roads, and Bridges Expenditures				$ 67,723.94
	To properly report debt service and expenditures				
	2023 Road and Bridge Fund:				

CLOSING
WTB's-Formal Adjusting Journal Entries
CY2023-CY2024

6200.03
P3-FSS-Formal Adjustments (updated April 2020)

AJE#	OPINION UNIT / ACCOUNT / DESCRIPTION	YEAR/ EXHIBIT	WP REFERENCE	DEBIT	CREDIT
14	Highway, Road and Bridge Expenditures	2023/ IV	4530.04	$ 199,368.29	
	Long-Term Debt Issued				$ 199,368.29
	To report the revenues and expenses related to the inception of a lease.				
	2024 Rural Access Infrastructure Fund:				
6	State Grants	2024 / IV	5100.01	$ 204,368.33	
	Other State Shared Revenue				$ 204,368.33
	To properly report RAI money received as Other State Shared Revenue and not State Grants.				
	2024 Remaining Fund Information: Governmental				
7	Other Urban and Economic Development Expenditures	2024 / IV	5500.06	$ 91,196.35	
	Urban and Rural Development Expenditures				$ 91,196.35
	To maintain consistency in reporting, move expenditures from Other Urban and Economic Development to Urban and Rural Development Expenditures.				
	2024 Remaining Fund Information: Custodial				
8	Cash and Cash Equivalents	2024 / VIII	4570.01	$ 12.26	
	Restricted Net Position				$ 12.26
	To properly report cash and restricted net position.				
9	Other Additions	2024 / IX	4570.01	$ 92,674.41	
	State Shared Deductions			$ 92,665.41	
	State Shared Additions				$ 92,674.41
	Other Deductions				$ 92,665.41
	To properly report additions and deductions on Ex IX				
10	Ending Net Position	2024 / IX	4570.01	$ 12.26	
	Beginning Net Position				$ 12.26
	To properly report beginning and ending net position				
	2023 Remaining Fund Information: Custodial				
11	Other Additions	2024 / IX	4570.01	$ 83,693.77	
	State Shared Deductions			$ 89,230.23	
	State Shared Additions				$ 83,693.77
	Other Deductions				$ 89,230.23

Kingsbury County

2901.05A
Q5-Closing-Master Lead Schedule (Updated April 2020)

CLOSING
MASTER LEAD SCHEDULE
CY2023-CY2024

PURPOSE: PREPARE A LEAD SCHEDULE OF COMMENTS AND CROSS-REFERENCE TO APPLICABLE WORKING PAPERS.

SOURCE: VARIOUS AUDIT TESTS

KEY= A...........AUDITOR
T.........TREASURER
SA...... STATES ATTORNEY
S.........SHERIFF
B.........COUNTY BOARD
R......REGISTER OF DEEDS
D......DIRECTOR OF EQUALIZATION

W......Written
ML..........Management Letter
O..........Oral Comment

NO	FINDING	RECOMMENDATION	DISCUSSED WITH	W/P REF	DISPOSITION	ENTITY'S RESPONSE
1	Noted reporting/coding errors in the following areas: Cash, Revenues, Expenditures, and Budget.	We recommend that the County strength the internal controls over financial reporting	A, B	Various	Written	
2	The county auditor had not reconciled the tax list with the tax account record as required by SDCL 10-17-9.	We recommend that the county auditor reconcile the tax list with the tax account record a year end to comply with SDCL 10-17-9.	A, B	4102.02	Management Letter	
3	Noted multiple properties that were eligible for tax deed procurement.	We recommend the county treasurer institute the tax deed procurement procedures in accordance with SDCL 10-23-7 and 10-25-1.	T, B	4102.07	Management Letter	
4	Noted vouchers for payroll direct deposits were not prepared or presented to the commissioners as required by SDCL 7-22-1.	We recommend that all expenditures, including payroll, be approved by the board and that a voucher is prepared to comply with SDCL 7-22-1 & 7-22-2.	A	5500.02	Oral	
5	Noted the county had made expenditures in excess of appropriations in the Road and Bridge Fund during the audit period, which is a violation of SDCL 7-21-20.	We recommend the county refrain from making expenditures without prior budget authority in order to comply with SDCL 7-21-20.	A	6100.02	Oral	
6	Noted that road miles used for pass-through calculations were not the most current.	We recommend the county obtain updated road miles yearly.	A	7000.03	Oral	
7	Noted the county did not distribute the apportionment for Reguge Revenue within 90 days of receiving payment.	We recommend the county distrubute Refuge Revenue within the 90 day time frame	A	7000.11	Oral	
8	Noted the total unassigned fund balance of the General Fund exceeded the amount allowed by SDCL 7-21-18.1 by approximately $290,000 at December 31. 2024.	We recommend the County comply with SDCL 7-21-18.1	A, B	7000.15	Written	
10	Noted the physical inventory lists for each department were missing values for items, signatues from department managers, and a received date.	We recommend each item have a cost listed, the department manager sign the inventory list, and the Auditor note the date the inventory list is received.	A	2300.07	Oral	
11	Noted several journal entries that did not have signatures confirming independent review.	We recommend that all journal entries have dual signatures, one by person posting entry and one by the other confirming independent review of adjustment.	A	2500.06	Oral	

CLOSING
WTB's-Formal Adjusting Journal Entries
CY2023-CY2024

6200.03
P3-FSS-Formal Adjustments (updated April 2020)

AJE#	OPINION UNIT / ACCOUNT / DESCRIPTION	YEAR/ EXHIBIT	WP REFERENCE	DEBIT	CREDIT
	To properly report additions and deductions on Ex IX				
12	Ending Net Position	2024 / IX	4570.01	$ 12.25	
	Other Additions				$ 12.25
	To properly report beginning and ending net position				

I have received a copy of the above formal audit adjustements and concur with the posting of the adjustments to the financial state

County Auditor