

CITY OF ELKTON  
ELKTON, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

---

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

CITY OF ELKTON  
ELKTON, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

---

FINANCIAL SECTION

1	Independent Auditor's Report
5	Management's Discussion and Analysis (MD&A) (Supplementary Information)
	Basic Financial Statements: (Modified Cash Basis of Accounting)
	Government-Wide Financial Statements:
11	Statement of Net Position as of December 31, 2020
12	Statement of Activities for the Year Ending December 31, 2020
13	Statement of Activities for the Year Ending December 31, 2019
	Fund Financial Statements:
	Governmental Funds:
14	Balance Sheet as of December 31, 2020
15	Statement of Receipts, Disbursements, and Changes in Fund Balances for the Year Ending December 31, 2020
16	Statement of Receipts, Disbursements, and Changes in Fund Balances for the Year Ending December 31, 2019
	Enterprise Funds:
17	Statement of Net Position as of December 31, 2020
18	Statement of Receipts, Disbursements, and Changes in Net Position for the Year Ending December 31, 2020
18	Statement of Receipts, Disbursements, and Changes in Net Position for the Year Ending December 31, 2019
19	Statement of Cash Flow for the Year Ending December 31, 2020
19	Statement of Cash Flow for the Year Ending December 31, 2019
20	Notes to the Financial Statements

SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

	Budgetary Comparison Schedule - Budgetary Basis:
34	General Fund -- December 31, 2020
35	General Fund -- December 31, 2019
36	2nd Cent Sales Tax Fund -- December 31, 2020
36	2nd Cent Sales Tax Fund -- December 31, 2019
37	Library Fund -- December 31, 2020
37	Library Fund -- December 31, 2019
38	Notes to Supplementary Information - Budgets
39	Schedule of Changes in Long-Term Debt
	Pension Schedules:
41	Schedule of the City's Proportional Share of Net Pension (Asset)/Liability
41	Schedule of the City's Contributions
42	Notes to Supplementary Information - Pension

GOVERNMENTAL SECTION

43	Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
45	Schedule of Prior Audit Findings
45	Schedule of Current Audit Findings and Responses

NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
605.270.3020

Governing Board  
City of Elkton  
Elkton, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Elkton (City), Brookings County, South Dakota, as of December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

I was not engaged to audit a modified cash basis of accounting financial statement of the Elkton Housing and Redevelopment Commission which would have represented 100% of the cash assets, net position, receipts and disbursements of the discretely presented component unit on the government-wide statement of net position and statement of activities.

### Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions on governmental activities, business-type activities, a discretely presented component unit, and each major fund.

City of Elkton  
Independent Auditor's Report -- Page Two

Summary of Opinions

<u>Opinion Units</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse
General Fund	Qualified
2nd Cent Fund	Unmodified
Library Fund	Unmodified
TIF #2	Unmodified
TIF #3	Unmodified
Liquor Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified

Basis for Adverse Opinion on Discretely Presented Component Unit:  
Elkton Housing and Redevelopment Commission

Financial statements of the Elkton Housing and Redevelopment Commission (a component unit of the City of Elkton) are not presented and would have represented 100% of the cash assets, net position, receipts and disbursements of a discretely presented component unit on the government-wide statement of net position and statement of activities. I was unable to apply alternative procedures regarding the balances and activity of the Elkton Housing & Redevelopment Commission's separate books and records.

Adverse Opinion on Discretely Presented Component Unit:  
Elkton Housing and Redevelopment Commission

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the Elkton Housing and Redevelopment Commission (a component unit of the City of Elkton) do not present fairly, as a discretely presented component unit on the government-wide statement of net position and statement of activities, the modified cash basis of accounting financial position of the Elkton Housing and Redevelopment Commission as of December 31, 2020 or the results of its operations for each of the years in the biennial period then ended.

Basis for Qualified of Opinions:  
Governmental Activities and General Fund

Records to support the following separate records kept by the fire and ambulance departments was insufficient.

2019	Fire	Ambulance
Beginning cash	\$ 114,079	\$ 28,801
Receipts	185,920	14,021
Disbursements	(72,090)	(7,194)
	-----	-----
Ending cash	\$ 227,909	\$ 35,628
2020		
Receipts	31,162	5,814
Disbursements	(72,408)	(7,194)
	-----	-----
Ending cash	\$ 186,663	\$ 34,248

Modified Opinions:  
Governmental Activities and General Fund

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified of Opinion on Governmental Activities and General Fund" paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position on a modified cash basis of accounting of Governmental Activities and General Fund of the City of Elkton, as of December 31, 2020 and changes in its financial position for the years in the biennial period then ended, in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

Unmodified Opinions:  
Business-Type Activities and All Major Funds Except the General Fund

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of business-type activities and each major fund except the general fund of the City of Elkton, South Dakota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1c to these financial statements.

Other Matters - Basis of Accounting

I draw attention to note 1c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Other Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Elkton's financial statements.

The management's discussion and analysis (page 5 to 10), budgetary comparison schedules (page 34 to 38), pension schedules (page 41 and 42) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

I have applied certain limited procedures to this 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Elkton's financial statements.

The schedule of changes in long-term debt (page 39 and 40) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term debt is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

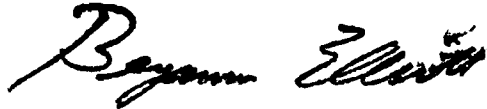
In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 43) dated April 4, 2022 on my tests of City of Elkton's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

April 4, 2022

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive, flowing style with a large initial "B" and a stylized "E".

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Elkton's (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2020, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS	2020	2019
Receipts:		
Charges for goods and services	628,836	785,165
Operating grants	21,511	0
Capital grants	1,447,220	0
SRF loan proceeds	961,481	0
SRF loan proceeds - forgiven	585,280	0
General receipts	634,519	593,565
	-----	-----
Total	4,278,847	1,378,730
	-----	-----
Disbursements:		
Governmental	641,310	707,805
Business-type	3,603,129	716,893
	-----	-----
Total	4,244,439	1,424,698
	-----	-----
Increase (Decrease) in Net Position	34,408	(45,968)
Net Position:		
December 31, 2018, adjusted		1,173,887
		-----
December 31, 2019	1,127,919	1,127,919
	-----	=====
December 31, 2020	1,162,327	
	=====	
Governmental Funds:		
General	618,653	570,542
2nd Cent Sales Tax	443,891	381,398
Library	2,223	3,746
TIF #2	(15,085)	(12,933)
TIF #3 (Kinner)	12,177	11,060
Business-Type Funds:		
Liquor	229,058	227,503
Water	(2,764)	57,446
Sewer	(125,826)	(110,843)
	-----	-----
Total	1,162,327	1,127,919
	=====	=====

During 2020, the City:

- \* Received \$296,875 from property taxes.
- \* Received \$232,378 from sales taxes.
- \* Had bar sales of \$257,979.
- \* Had net video lottery sales of \$38,288.
- \* Had water and sewer sales of \$239,208.
- \* Purchased a sewer jetter for \$46,144.
- \* Made water and sewer improvements of \$3,034,202.
- \* Kept current on all loan payments.

During 2019, the City:

- \* Received \$290,968 from property taxes.
- \* Received \$206,722 from sales taxes.
- \* Had bar sales of \$259,408.
- \* Had net video lottery sales of \$34,045.
- \* Had water and sewer sales of \$230,812.
- \* Purchased a lot for \$17,650.
- \* Installed tilling for \$113,601.
- \* Made water and sewer improvements of \$164,040.
- \* Kept current on all loan payments.

**BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS**

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 5 to 10), (2) the basic financial statements (page 11 to 33) and (3) supplementary information (page 34 to 42). The basic financial statements include two types of statements that present the City from two different financial points of view.

**Government-wide financial statements (View #1):**

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

**Fund financial statements (View #2):**

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City in 2019 and 2020 were the General, 2nd Cent Sales Tax, Library, TIF #2 and TIF #3 funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City in 2019 and 2020 were the Liquor, Water and Sewer funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2019 and 2020 the City had no fiduciary funds.

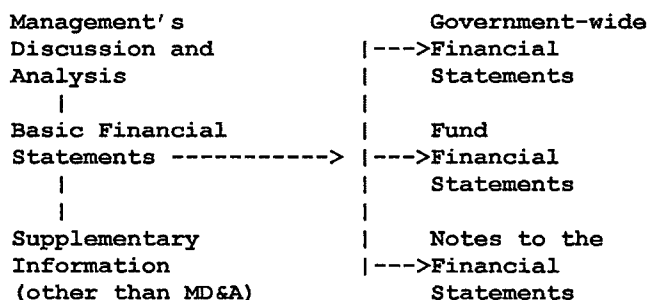
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and a major special revenue fund, a schedule of changes in long-term debt and pension schedules.

**Supplementary Information:**

This Management's Discussion and Analysis (page 5 to 10), the Budgetary Comparison Schedules (page 34 to 38), Pension Schedules (page 41 and 42) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

The schedule of changes in debt (page 39) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Fund Statements-----	
		Governmental Funds	Enterprise Funds
Scope	Entire City	City activities except enterprise funds	Activities operated like a private business (ie: water)
Required Modified Cash Basis Financial Statements	Statement of Net Position  Statement of Activities	Balance Sheet  Stmt. of Receipts Disbursements and Changes in Fund Balances	Stmt. of Net Position  Stmt. of Receipts, Disbursements and Changes in Fund Net Position  Stmt. of Cash Flows
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Cash, CDs Investments, Notes receivable and customer deposits	Cash, CDs, Investments and notes receivable	Cash, CDs Investments and customer deposits
Types of Receipts and Disbursements	Cash receipts and Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

#### BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments (if any).

#### GOVERNMENT-WIDE STATEMENTS

The government-wide statements (page 11 to 13) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificates of deposit, and money market accounts (if any). The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such as police and fire protection, maintenance of streets, and parks. Property taxes, sales taxes, and interest received finance most of these activities.

The business-type activities account for the City's liquor, water and sewer activities. These services are funded by user fees. Bonds and federal and state grants help pay for capital improvements to the water and sewer systems.

The Elkton Housing and Redevelopment Commission is a component unit of the City. However, its books and records were not available to include in these financial statements. Component units are organizations which, because the nature and significance of their relationship to the City, would make the City's financial statements incomplete or misleading if they were excluded from the City's financial statements.

#### FUND FINANCIAL STATEMENTS

The fund financial statements (page 14 to 19) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

**Governmental funds:** Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance City programs.

**Enterprise fund:** Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The liquor, water and sewer funds are the only enterprise funds maintained by the City.

#### MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

##### For the Two Years Ending December 31, 2020

(Material changes for governmental activities = changes greater than \$ 50,000)  
 (Material changes for business-type activities = changes greater than \$100,000)

== 2020 ==	Increase (Decrease)	Reason
<b>Governmental Activities:</b>		
Cash	108,046	Excess receipts over disbursements.
Charges for servicers	(167,539)	Fire and ambulance activity.
Public works	(82,616)	Fewer street projects.
<b>Business-Type Activities:</b>		
Capital grants	1,447,220	Water and sewer grants.
SRF loans	1,546,761	Loan proceeds
Water disbursements	1,115,321	Water improvements.
Sewer disbursements	1,754,602	Sewer improvements.

== 2019 ==

Governmental Activities:

Cash	289,423	Excess receipts over disbursements.
Charges for services	204,581	Fire and ambulance activity.
Public safety	61,297	Fire activity.
Public works	97,184	Street projects.

Business-Type Activities:

Cash	(192,511)	Excess disbursements over receipts.
Sewer disbursements	140,960	Sewer improvements.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2020 the City's general fund budget of \$513,170 was an increase of \$34,250 or 7.15% from 2019. There was one supplemental appropriation to the general fund in 2020. See also page 34.

In 2019 the City's general fund budget of \$478,920 was an increase of \$26,470 or 5.85% from 2018. There was one supplemental appropriation to the general fund budget in 2019. See also page 35.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above under "Financial Highlights."

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2020 the City and fire department made principal payments of \$41,298 on three governmental loans and \$23,378 on three water and sewer loans. The City also received loan proceeds from two SRF loans of \$1,546,761 of which \$585,280 was forgiven. At December 31, 2020 the City's governmental loans had a balance of \$568,200 and the water and sewer loans had a balance of \$1,429,918. See page 39 for more information.

During 2019 the City made principal payments of \$16,676 on three governmental loans and \$22,598 on three water and sewer loans. At December 31, 2019 the City's governmental loans had a balance of \$609,498 and the water and sewer loans had a balance of \$491,815. See page 39 for more information.

CURRENTLY KNOWN FACTS

In 2021 the City received additional SRF loan proceeds of \$697,883 of which \$406,168 was forgiven for water system improvements.

In 2021 the City received additional SRF loan proceeds of \$533,962 for sewer system improvements.

Phase I of the water and sewer line replacement project (2020 and 2021) is expected to cost approximately \$6 million. Phase II (2022 and 2023) is expected to cost approximately \$4 million. Phase III (later) expected to cost \$3 million. Total cost of water and sewer system improvements is estimated to be \$13 million.

In 2021 the Council awarded a \$349,042 bid to upgrade the west lift station.

In 2021 the Council approved a \$25,000 budget to upgrade the bar.

In 2021 the Council adopted the International Property Code.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Elkton's finance office at 109 Elk Street, Elkton, SD 57026 or telephone us at 605.542.5411.

## CITY OF ELKTON

TABLE 1 - NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2020, 2019 AND 2018

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
<b>Assets:</b>									
Cash	777,896	690,233	400,308	(48,559)	131,392	324,020	729,337	821,625	724,328
Certificate of deposit	214,362	210,706	207,051				214,362	210,706	207,051
Cash - restricted	69,601	52,874	57,031	149,027	42,714	42,597	218,628	95,588	99,628
<b>Total assets</b>	<b>1,061,859</b>	<b>953,813</b>	<b>664,390</b>	<b>100,468</b>	<b>174,106</b>	<b>366,617</b>	<b>1,162,327</b>	<b>1,127,919</b>	<b>1,031,007</b>
<b>Liabilities:</b>									
None (cash basis)	0	0	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net position:</b>									
Restricted	69,601	52,874	57,031	149,027	42,714	42,597	218,628	95,588	99,628
Unrestricted	992,258	900,939	607,359	(48,559)	131,392	324,020	943,699	1,032,331	931,379
<b>Total net position</b>	<b>1,061,859</b>	<b>953,813</b>	<b>664,390</b>	<b>100,468</b>	<b>174,106</b>	<b>366,617</b>	<b>1,162,327</b>	<b>1,127,919</b>	<b>1,031,007</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE THREE FISCAL YEARS ENDING DECEMBER 31, 2020

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
<b>Receipts:</b>									
<b>Program receipts:</b>									
Charges for services	93,361	260,900	56,319	535,475	524,265	519,205	628,836	785,165	575,524
Operating grants and contri.	21,511						21,511		
Capital grants and contri.				1,447,220		8,000	1,447,220		8,000
<b>General receipts:</b>									
Receipts from taxes	529,325	497,762	470,639				529,325	497,762	470,639
Receipts from state sources	48,039	46,559	45,129				48,039	46,559	45,129
Receipts from county sources	6,741	6,713	6,667				6,741	6,713	6,667
Interest received	6,676	9,501	8,431	35	117	127	6,711	9,618	8,558
Other general receipts	26,872	30,044	22,620				26,872	30,044	22,620
<b>Total receipts</b>	<b>732,525</b>	<b>851,479</b>	<b>609,805</b>	<b>1,982,730</b>	<b>524,382</b>	<b>527,332</b>	<b>2,715,255</b>	<b>1,375,861</b>	<b>1,137,137</b>
<b>Disbursements:</b>									
General government	166,556	141,132	139,630				166,556	141,132	139,630
Public safety	131,475	121,806	60,509				131,475	121,806	60,509
Public works	201,537	284,153	186,969				201,537	284,153	186,969
Health and welfare	18,792	26,060	16,777				18,792	26,060	16,777
Culture and recreation	62,936	55,828	50,398				62,936	55,828	50,398
Economic development	228	17,650					228	17,650	0
Debt service	59,786	61,176	83,177				59,786	61,176	83,177
Liquor				294,712	278,399	279,397	294,712	278,399	279,397
Water				1,289,765	174,444	148,471	1,289,765	174,444	148,471
Sewer				2,018,652	264,050	123,090	2,018,652	264,050	123,090
<b>Total disbursements</b>	<b>641,310</b>	<b>707,805</b>	<b>537,460</b>	<b>3,603,129</b>	<b>716,893</b>	<b>550,958</b>	<b>4,244,439</b>	<b>1,424,698</b>	<b>1,088,418</b>
<b>Excess of receipts over (under) disbursements</b>	<b>91,215</b>	<b>143,674</b>	<b>72,345</b>	<b>(1,620,399)</b>	<b>(192,511)</b>	<b>(23,626)</b>	<b>(1,529,184)</b>	<b>(48,837)</b>	<b>48,719</b>
Compensation for property damage		2,869	2,255			3,429		2,869	5,684
Sale of surplus property	16,831						16,831		
SRF loan proceeds				961,481			961,481		
SRF loan proceeds - forgiven				585,280			585,280		
<b>Change in net position</b>	<b>108,046</b>	<b>146,543</b>	<b>74,600</b>	<b>(73,638)</b>	<b>(192,511)</b>	<b>(20,197)</b>	<b>34,408</b>	<b>(45,968)</b>	<b>54,403</b>
<b>Net position:</b>									
December 31, 2017			589,790			386,814			976,604
December 31, 2018		664,390	664,390		366,617	366,617		1,031,007	1,031,007
Add fire and ambulance		142,880			0			142,880	
December 31, 2019	953,813	953,813		174,106	174,106		1,127,919	1,127,919	
December 31, 2020	1,061,859			100,468			1,162,327		

CITY OF ELKTON

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	777,896	(48,559)	729,337
Certificate of deposit	214,362		214,362
Restricted cash	69,601	149,027	218,628
	-----	-----	-----
Total assets	1,061,859	100,468	1,162,327
	=====	=====	=====
NET POSITION:			
Restricted for:			
Revolving loan	55,201		55,201
Library	2,223		2,223
TIF #3 developer repayment	12,177		12,177
Rural Development debt service		17,715	17,715
SRF debt service		25,033	25,033
Construction		106,279	106,279
Unrestricted	992,258	(48,559)	943,699
	-----	-----	-----
Total net position	1,061,859	100,468	1,162,327
	=====	=====	=====

See accompanying notes.

## CITY OF ELKTON

## STATEMENT OF ACTIVITIES

## MODIFIED CASH BASIS

FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	166,556	2,445			(164,111)		(164,111)
Public safety	131,475	30,475			(101,000)		(101,000)
Public works	201,537	53,665			(147,872)		(147,872)
Health and welfare	18,792	5,807	21,511		8,526		8,526
Culture and recreation	62,936	969			(61,967)		(61,967)
Economic development	228				(228)		(228)
Debt service	59,786				(59,786)		(59,786)
Total governmental activi	641,310	93,361	21,511	0	(526,438)	0	(526,438)
Business-type activities:							
Liquor	294,712	296,267				1,555	1,555
Water	1,289,765	128,589		95,294		(1,065,882)	(1,065,882)
Sewer	2,018,652	110,619		1,351,926		(556,107)	(556,107)
Total business-type activ.	3,603,129	535,475	0	1,447,220	0	(1,620,434)	(1,620,434)
Total primary government	4,244,439	628,836	21,511	1,447,220	(526,438)	(1,620,434)	(2,146,872)
General receipts:							
Taxes:							
Property taxes					296,875		296,875
Sales taxes					232,378		232,378
Amusement taxes					72		72
State shared receipts					48,039		48,039
County shared receipts					6,741		6,741
Interest received					6,676	35	6,711
Rents and franchise fees					8,717		8,717
Revolving loan payments					4,200		4,200
Donations					303		303
Miscellaneous receipts					13,652		13,652
Sale of surplus property					16,831		16,831
SRF Loan proceeds					0	961,481	961,481
SRF Loan proceeds - forgiven					0	585,280	585,280
Total general receipts					634,484	1,546,796	2,181,280
Change in net position					108,046	(73,638)	34,408
Net position:							
January 1, 2020					953,813	174,106	1,127,919
December 31, 2020					1,061,859	100,468	1,162,327

See accompanying notes.

CITY OF ELKTON  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs:	Disbursements	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	141,132	1,486			(139,646)		(139,646)
Public safety	121,806	185,233			63,427		63,427
Public works	284,153	53,394			(230,759)		(230,759)
Health and welfare	26,060	14,013			(12,047)		(12,047)
Culture and recreation	55,828	6,774			(49,054)		(49,054)
Economic development	17,650				(17,650)		(17,650)
Debt service	61,176				(61,176)		(61,176)
Total governmental activities	707,805	260,900	0	0	(446,905)	0	(446,905)
Business-type activities:							
Liquor	278,399	293,453				15,054	15,054
Water	174,444	124,181				(50,263)	(50,263)
Sewer	264,050	106,631				(157,419)	(157,419)
Total business-type activities	716,893	524,265	0	0	0	(192,628)	(192,628)
Total primary government	1,424,698	785,165	0	0	(446,905)	(192,628)	(639,533)
General receipts:							
Taxes:							
Property taxes					290,968		290,968
Sales taxes					206,722		206,722
Amusement taxes					72		72
State shared receipts					46,559		46,559
County shared receipts					6,713		6,713
Interest received					9,501	117	9,618
Rents and franchise fees					10,749		10,749
Revolving loan payments					4,188		4,188
Donations					414		414
Miscellaneous receipts					14,693		14,693
Compensation for damages					2,869		2,869
Total general receipts					593,448	117	593,565
Change in net position					146,543	(192,511)	(45,968)
Net position:							
January 1, 2019					664,390	366,617	1,031,007
Add fire and ambulance activity					142,880		142,880
January 1, 2019, restated					807,270	366,617	1,173,887
December 31, 2019					953,813	174,106	1,127,919

See accompanying notes.

## CITY OF ELKTON

BALANCE SHEET -- MODIFIED CASH BASIS  
 ALL GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2020

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
ASSETS:						
Cash and cash equivalents	563,452	229,529		(15,085)		777,896
Certificate of deposit		214,362				214,362
Restricted cash	55,201		2,223		12,177	69,601
Total assets	<u>618,653</u>	<u>443,891</u>	<u>2,223</u>	<u>(15,085)</u>	<u>12,177</u>	<u>1,061,859</u>
FUND BALANCE (DEFICIT):						
Nonspendable						0
Restricted	55,201		2,223		12,177	69,601
Committed		443,891				443,891
Assigned	220,911					220,911
Unassigned	342,541			(15,085)		327,456
Total fund balances	<u>618,653</u>	<u>443,891</u>	<u>2,223</u>	<u>(15,085)</u>	<u>12,177</u>	<u>1,061,859 **</u>

\*\* Equals net position on  
 statement of net position

See accompanying notes.

## CITY OF ELKTON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2020

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
Receipts:						
Local sources:						
Ad valorem taxes	238,139			5,634	53,102	296,875
General sales taxes	116,189	116,189				232,378
Amusement taxes	72					72
Licenses and permits:	2,445					2,445
Intergovernmental:						
State shared revenue:						
Grants	21,511					21,511
Bank franchise tax	4,351					4,351
Port of entry	1,338					1,338
Liquor tax revision	5,094					5,094
5% Motor vehicle license	9,718					9,718
Highway and bridge	27,538					27,538
County shared revenue	6,741					6,741
Charges for goods and services:						
General government						0
Fire	30,475					30,475
Sanitation	53,665					53,665
Ambulance	5,807					5,807
Culture and recreation	319		650			969
Fines and forfeits:						0
Miscellaneous:						
Interest received	3,006	3,655			15	6,676
Rents and franchise	8,717					8,717
Revolving loan payments	4,200					4,200
Donations	303					303
Other	13,652					13,652
Total receipts	553,280	119,844	650	5,634	53,117	732,525
Disbursements:						
Current:						
General government:						
Mayor and Council	28,324					28,324
Elections	967					967
Financial administration	114,113					114,113
Government buildings	23,152					23,152
Public safety:						
Police	34,349					34,349
Fire	80,824					80,824
Protective inspection	11,204					11,204
Public works:						
Highways and streets	89,108					89,108
Sanitation	51,902					51,902
Health and welfare:						
West Nile	2,816					2,816
Ambulance	15,976					15,976
Culture and recreation:						
Parks and recreation	11,560					11,560
Library	18,246		2,173			20,419
Debt service - principal				5,665	19,575	25,240
- interest				2,121	32,425	34,546
Capital outlay	39,459	57,351				96,810
Total disbursements	522,000	57,351	2,173	7,786	52,000	641,310
Excess of receipts over (under) disbursements	31,280	62,493	(1,523)	(2,152)	1,117	91,215
Other financing sources (uses):						
Sale of surplus property	16,831					16,831
Net change in fund balance	48,111	62,493	(1,523)	(2,152)	1,117	108,046 **
Fund balance (deficit):						
January 1, 2020	570,542	381,398	3,746	(12,933)	11,060	953,813
December 31, 2020	618,653	443,891	2,223	(15,085)	12,177	1,061,859

\*\* Equals change in net position on  
Statement of Activities

See accompanying notes.

## CITY OF ELKTON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2019

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
Receipts:						
Local sources:						
Ad valorem taxes	232,377			10,203	48,388	290,968
General sales taxes	103,361	103,361				206,722
Amusement taxes	72					72
Licenses and permits:	1,329					1,329
Intergovernmental:						
State shared revenue:						
Bank franchise tax	3,819					3,819
Port of entry	1,368					1,368
Liquor tax revision	4,796					4,796
5% Motor vehicle license	9,327					9,327
Highway and bridge	27,249					27,249
County shared revenue	6,713					6,713
Charges for goods and services:						
General government	57					57
Fire	185,233					185,233
Sanitation	51,099					51,099
Special assessment	2,295					2,295
Ambulance	14,013					14,013
Culture and recreation	2,239		4,535			6,774
Fines and forfeits:	100					100
Miscellaneous:						
Interest received	5,761	3,655			85	9,501
Rents and franchise	10,749					10,749
Revolving loan payments	4,188					4,188
Donations	414					414
Other	14,693					14,693
Total receipts	681,252	107,016	4,535	10,203	48,473	851,479
Disbursements:						
Current:						
General government:						
Mayor and Council	24,655					24,655
Elections	536					536
Financial administration	95,390					95,390
Government buildings	20,551					20,551
Public safety:						
Police	34,829					34,829
Fire	80,481					80,481
Protective inspection	5,503					5,503
Public works:						
Highways and streets	112,565					112,565
Sanitation	52,570					52,570
Health and welfare:						
West Nile	3,520					3,520
Ambulance	10,688	11,852				22,540
Culture and recreation:						
Parks and recreation	14,564					14,564
Library	15,865		3,420			19,285
Debt service - principal		7,681		5,664	3,331	16,676
- interest		710		2,121	41,669	44,500
Capital outlay	46,039	113,601				159,640
Total disbursements	517,756	133,844	3,420	7,785	45,000	707,805
Excess of receipts over (under) disbursements	163,496	(26,828)	1,115	2,418	3,473	143,674
Other financing sources (uses):						
Compensation for damaged p	2,869					2,869
Net change in fund balance	166,365	(26,828)	1,115	2,418	3,473	146,543 **
Fund balance (deficit):						
January 1, 2019	261,297	408,226	2,631	(15,351)	7,587	664,390
Add fire and ambulance	142,880					142,880
January 1, 2019, restated	404,177	408,226	2,631	(15,351)	7,587	807,270
December 31, 2019	570,542	381,398	3,746	(12,933)	11,060	953,813

\*\* Equals change in net position on  
Statement of Activities

See accompanying notes.

## CITY OF ELKTON

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
AS OF DECEMBER 31, 2020

	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
ASSETS				
Current assets:				
Cash and cash equivalent	229,058	(27,372)	(250,245)	(48,559)
Restricted cash	-----	24,608	124,419	149,027
Total assets	<u>229,058</u>	<u>(2,764)</u>	<u>(125,826)</u>	<u>100,468</u>
NET POSITION				
Restricted - debt service		17,715	25,033	42,748
Restricted - construction		6,893	99,386	106,279
Unrestricted	229,058	(27,372)	(250,245)	(48,559)
Total net position	<u>229,058</u>	<u>(2,764)</u>	<u>(125,826)</u>	<u>100,468</u>

See accompanying notes.

## CITY OF ELKTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2020  
 FOR THE YEAR ENDING DECEMBER 31, 2019

	2020				2019			
	Liquor Fund	Water Fund	Sewer Fund	Total	Liquor Fund	Water Fund	Sewer Fund	Total
Operating receipts:								
Charges for goods and services	257,979	128,589	110,619	497,187	259,408	124,181	106,631	490,220
Video lottery sales, net	38,288			38,288	34,045			34,045
Total operating receipts	296,267	128,589	110,619	535,475	293,453	124,181	106,631	524,265
Operating disbursements:								
Personal services	74,618	40,851	39,077	154,546	66,487	43,787	40,860	151,134
Other current services	27,461	20,935	46,939	95,335	31,011	17,929	70,910	119,850
Cost of goods sold	176,259	47,109		223,368	169,034	40,262		209,296
Capital assets	16,374	1,143,837	1,895,543	3,055,754	11,867	55,433	127,247	194,547
Total operating disbursements	294,712	1,252,732	1,981,559	3,529,003	278,399	157,411	239,017	674,827
Excess operating receipts (disbursements)	1,555	(1,124,143)	(1,870,940)	(2,993,528)	15,054	(33,230)	(132,386)	(150,562)
Nonoperating receipts (disbursements):								
Grants		95,294	1,351,926	1,447,220				
SRF loan proceeds		420,357	541,124	961,481				
SRF loan proceeds - forgiven		585,280		585,280				
Interest received		35		35		117		117
Loan pymts - principal		(5,823)	(17,555)	(23,378)		(5,560)	(17,038)	(22,598)
- interest		(11,210)	(7,478)	(18,688)		(11,473)	(7,995)	(19,468)
- issue costs		(20,000)	(12,060)	(32,060)				0
Total nonoperating receipts (disbu)	0	1,063,933	1,855,957	2,919,890	0	(16,916)	(25,033)	(41,949)
Change in net position	1,555	(60,210)	(14,983)	(73,638)	15,054	(50,146)	(157,419)	(192,511)
Net position:								
January 1, 2019					212,449	107,592	46,576	366,617
December 31, 2019	227,503	57,446	(110,843)	174,106	227,503	57,446	(110,843)	174,106
December 31, 2020	229,058	(2,764)	(125,826)	100,468				

See accompanying notes.

## CITY OF ELKTON

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2020  
FOR THE YEAR ENDING DECEMBER 31, 2019

	2020				2019			
	Liquor Fund	Water Fund	Sewer Fund	Total	Liquor Fund	Water Fund	Sewer Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	296,267	128,589	110,619	535,475	293,453	124,181	106,631	524,265
Payments to employees	(74,618)	(40,851)	(39,077)	(154,546)	(66,487)	(43,787)	(40,860)	(151,134)
Payments to suppliers	(203,720)	(68,044)	(46,939)	(318,703)	(200,045)	(58,191)	(70,910)	(329,146)
Payments for capital assets	(16,374)	(1,143,837)	(1,895,543)	(3,055,754)	(11,867)	(55,433)	(127,247)	(194,547)
Net cash provided (used) by operating activities	1,555	(1,124,143)	(1,870,940)	(2,993,528)	15,054	(33,230)	(132,386)	(150,562)
Noncapital financing activities:								
None				0				0
Capital financing activities:								
Grants		95,294	1,351,926	1,447,220				
SRF loan proceeds		420,357	541,124	961,481				
SRF loan proceeds - forgiven		585,280		585,280				
Loan pymts - principal		(5,823)	(17,555)	(23,378)		(5,560)	(17,038)	(22,598)
- interest		(11,210)	(7,478)	(18,688)		(11,473)	(7,995)	(19,468)
- issue costs		(20,000)	(12,060)	(32,060)				0
Investing activities:								
Interest received		35		35		117		117
Net increase (decrease) in cash and cash equivalents	1,555	(60,210)	(14,983)	(73,638)	15,054	(50,146)	(157,419)	(192,511)
Cash and cash equivalents:								
January 1, 2019					212,449	107,592	46,576	366,617
December 31, 2019	227,503	57,446	(110,843)	174,106	227,503	57,446	(110,843)	174,106
December 31, 2020	229,058	(2,764)	(125,826)	100,468				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	1,555	(1,124,143)	(1,870,940)	(2,993,528)	15,054	(33,230)	(132,386)	(150,562)
Net cash provided (used) by operating activities	1,555	(1,124,143)	(1,870,940)	(2,993,528)	15,054	(33,230)	(132,386)	(150,562)
Noncash investing, capital and financing activities:								
None								

See accompanying notes.

CITY OF ELKTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Elkton's (City) Governing Board.

The City's officials at December 31, 2020 are:

Governing Board:	Finance Officer:
Charles Remund, Mayor	Susan Schuurman
John Miraglia, President	Attorney:
David Bierman	Steven Britzman
Natalie Hagen	
William Kuehl	
Greg Nelson	
Scott Stuefen	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:

Primary Government: - The City of Elkton

Component Unit: - Elkton Housing & Redevelopment Commission (not reported)

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Elkton consists of (1) 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, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Elkton Housing & Redevelopment Commission is a component unit of the City of Elkton, but is not reported in these financial statements.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Cash Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

*Governmental Funds*

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - 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. The City has the following special revenue funds:

2nd Cent Sales Tax Fund - A fund allowed by law to account for proceeds from the 2nd cent sales tax. It was established by Ordinance No. 93 and is a major fund.

Library Fund - A fund allowed by SDCL 14-2-42 and AGR 82-33 to account for the collection and disbursement of library fines and gifts. This fund is a major fund.

Debt Service Funds - debt service funds are used to account for the accumulation or resources for, and the payment of general long-term debt principal, interest, and related cost. The City has the following debt service funds:

TIF #2 Debt Service Fund - A fund allowed by law to account for proceeds from specific property taxes, restricted to use for the payment of principal and interest on debt issued to finance public improvements in Lots 9 through 15, Block 3, all in the Original Plat of the City of Elkton. This fund is a major fund.

TIF #3 (Kinner) Debt Service fund - A fund allowed by law to account for proceeds from specific property taxes, restricted to use for the repayment of developer contributions to finance public improvements for home sites in the City of Elkton. This fund is a major fund.

#### *Enterprise Funds* (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Liquor Fund - A fund allowed by SDCL 35-3-21 to account for the operation of an on-sale and/or off-sale municipal liquor store. This fund is a major fund.

Water Fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the City of Elkton. This fund is a major fund.

Sewer Fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the City of Elkton. This fund is a major fund.

#### *Fiduciary Funds*

Fiduciary funds are never considered to be major funds.

The City of Elkton has no fiduciary 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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

## Measurement Focus

### *Government-wide Financial Statements:*

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

### *Fund Financial Statements:*

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, business-type, and major fund 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 receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. 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 cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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 and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

### d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The City's certificates of deposit (if any) with a maturity of more than three months when purchased are not considered a cash equivalent for the statement of cash flows. Under the modified cash basis of accounting, investments are carried at cost.

### e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used on the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

*Government-wide financial Statements:*

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Net Position Held in Fiduciary Capacity."

i. 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 City classifies governmental fund balances as follows:

- \* Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash 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 (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- \* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Elkton's fund balance classifications are:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	General - Revolving Loan	Grant Agreement	55,201
	Library	Statute	2,223
	TIF #3	Developer Agreement	12,177
Committed	2nd Cent	Ordinance	443,891
Assigned	Fire and ambulance	Finance officer	220,911
Unassigned	General		342,541
	TIF #2		(15,085)
			-----
			1,061,859

The City uses "restricted" and "committed" amounts first when 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 City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source:
* 2nd Cent Sales Tax	Receive sales taxes	See page 15 and 16
* Library	Receive fines and gifts	See page 15 and 16

#### j. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

## 2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following represents overdrafts of departmental expenditures compared to appropriations:

2020:	General fund - General Government/Elections	217
	General fund - Public Safety/Fire	67,422
	General fund - Public Works/Sanitation	2
	General fund - Health and Welfare/Ambulance	10,276
	General fund - Culture and Recreation/Library	1,381
	2nd Cent - Public Works/Streets	48,271
	Library fund - Library	1,173
2019:	General fund - Public Safety/Fire	62,974
	General fund - Health and Welfare/Ambulance	4,988
	Library fund - Library	2,420

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation. These budget overdrafts are not considered a significant finding with respect to these financial statements.

### 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its 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 City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. 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 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2020 were as follows: Insured \$500,000, Collateralized \*\* \$1,023,344, for a total of \$1,523,344.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits and \$7,575 of petty cash at December 31, 2020 was \$1,162,327.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

### 4. INVESTMENTS AND RISKS

In general, SDCL 4-5-6 permits City money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

During the two years ending December 31, 2020 the City had no investments.

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

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2020, the City's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The City's deposit are held in BankStar Financial.

Interest Rate Risk - The City 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 deposit or investment. The City's policy is to credit all income from deposits and investments to the general fund except for interest on deposits related to debt service.

#### 5. RESTRICTED CASH

Restricted cash amounts, which can only be used for a specific purpose and cannot be used to pay other current liabilities, at December 31, 2020 are:

Purpose:	Governmental	Business-Type
General fund - Revolving loan balance	55,201	
Library fund - Library fines	2,223	
TIF #3 fund - Reimburse developer	12,177	
Water fund - Rural Development debt service		17,715
Water fund - Construction		6,893
Sewer fund - SRF debt service		25,033
Sewer fund - Construction		99,386
	-----	-----
Total Restricted Cash	69,601	149,027

#### 6. RESTRICTED NET POSITION

Net position restricted for specific purposes are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Debt service	Rural Dev. covenants		17,715
Debt service	SRF loan covenants		25,033
Water/sewer project	Loan agreements		106,279
Revolving loan	Grant	55,201	
Library services	Statute	2,223	
Repay developer	Contract	12,177	
		-----	-----
Total Restricted Net Cash Assets		69,601	149,027

#### 7. DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 39. The City did not have any short-term or conduit debt in 2019 or 2020.

In 2017 the City purchased an ambulance cot for \$35,555.40 on which the vendor accepted payments of \$11,851.80 in 2017, 2018, and 2019 without interest. Imputed interest is not material to these financial statements.

## 8. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure 2002 Water Revenue Bonds which have a remaining balance of \$230,163 at December 31, 2020. This debt was incurred to cover the cost of water improvements. The bonds will mature in 2042. In 2020 this debt had pledged revenue of \$19,694 and total payments of \$17,033. See page 39.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure 2010 Sewer Revenue Bonds which have a remaining balance of \$238,274 at December 31, 2020. This debt was incurred to cover the cost of sewer improvements. The bonds will mature in 2032. In 2020 this debt had pledged revenue of \$24,603 and total payments of \$25,033. See page 39.

## 9. WATER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA CONSERVANCY DISTRICT STATE REVOLVING FUND

On July 31, 2020 the City entered into a loan agreement with the South Dakota Conservancy District (State Revolving Fund) to borrow up to \$2,000,000 at 2.75% over 30 years secure by a surcharge "...set at a level which, assuming a 10% delinquency rate, will produce Project Income at the times and amounts sufficient to pay when due the principal of and interest on the Loan and the Administrative Expense Surcharge and all other payments under this Loan Agreement and the Borrower Bond."

## 10. SEWER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA CONSERVANCY DISTRICT STATE REVOLVING FUND

On July 31, 2020 the City entered into a loan agreement with the South Dakota Conservancy District (State Revolving Fund) to borrow up to \$1,206,000 at 2.75% over 30 years secure by a surcharge "...set at a level which, assuming a 10% delinquency rate, will produce Project Income at the times and amounts sufficient to pay when due the principal of and interest on the Loan and the Administrative Expense Surcharge and all other payments under this Loan Agreement and the Borrower Bond."

## 11. INTERFUND TRANSFERS

There were no inter fund transfers in 2019 or 2020.

## 12. DEFICIT FUND BALANCES:

At December 31, 2020 the TIF #2 Debt Service fund had a deficit fund balance of \$15,085 because the City has been paying out more for principal and interest payments than it has received in property taxes. Generally, the City's obligation for TIF indebtedness is limited to amounts received from property taxes. However, the City does expect this deficit to be corrected in 2021 and later years from the collection of property taxes.

At December 31, 2020 the water fund had a deficit fund balance of \$2,764 and the sewer fund had a deficit fund balance of \$125,826. These deficits are a result of a large water and sewer improvement project in 2019 and 2020. The commencement of water and sewer surcharges is expected to eliminate these deficits in the near future.

## 13. REVOLVING LOAN CASH

In September 2007 the City received a \$99,900 RBEG grant from Rural Development to establish a revolving loan fund. The City contributed \$5,000 to the fund. With this funding a revolving loan of \$100,000 was made to a local business at 1% payable at \$460.34 a month for 20 years. In 2014 an additional \$5,000 was advanced.

Revolving loan cash activity was:

	2020	2019
Beginning cash	51,001	46,813
Payments received	4,200	4,188
	-----	-----
Ending cash	55,201	51,001

#### 14. PENSION PLAN

##### Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

##### Plan Description:

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 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. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

##### Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

Members that were hired on or 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 equal to or greater 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 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 equal to or greater than the accrued liabilities.

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

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2020, 2019, and 2018 were \$10,347, \$8,370 and \$7,172 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities:

At June 30, 2020 SDRS is 100.04% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2020 are as follows:

Proportionate share of total pension liability	\$ 886,731
Less: Proportionate share of net position restricted for pension benefits	(887,044)
	-----
Proportionate share of net pension (asset)/liability	\$ (313)
	=====

The net pension (asset)/liability was measured as of June 30, 2020 and the total pension (asset)/liability used to calculate the net pension (asset)/liability was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the City's proportion was .000072133 which is an increase of .000009207 over its proportion measured as of June 30, 2019.

#### Actuarial Assumptions:

The total pension (asset)/liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

#### Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 those 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)/liability.

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

The following presents the City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$121,529	\$(313)	\$(99,978)

#### Investments

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 (ie: 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 weighting 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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	-----	
	100.0%	

#### Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

#### 15. PROPERTY TAX

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

#### 16. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to property; errors and omissions of public officials; injuries to employees and natural disasters. During the two years ending December 31, 2020, the City managed its risks as follows:

##### Employee Health Insurance:

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

##### Liability Insurance:

The City purchased liability insurance for risks related to torts, theft or damage to property, and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Worker's Compensation:

The City joined the South Dakota Municipal League Workers' 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

##### Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. In 2019 no claims for unemployment benefits were paid. In 2020 about \$1,000 of unemployment benefits were paid. Less than \$1,000 of unemployment benefits were paid in 2021.

## 17. TAX ABATEMENTS

As of December 31, 2020 the City did not provide any tax abatement incentives through its Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

## 18. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

## 19. SUBSEQUENT EVENTS AND OTHER DISCLOSURES

The City is not involved in any significant litigation.

The City does not offer any Other Post Employment Benefits.

The City does not have any material related party transactions.

The city has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

The City shares library facilities with the Elkton School District. However, each pay their own bills, operate their own reading programs, and pay for their own employees.

In 2021 the City received additional SRF loan proceeds of \$697,883 of which \$406,168 was forgiven for water system improvements.

In 2021 the City received additional SRF loan proceeds of \$533,962 for sewer system improvements.

Phase I of the water and sewer line replacement project (2020 and 2021) is expected to cost approximately \$6 million. Phase II (2022 and 2023) is expected to cost approximately \$4 million. Phase III (later) expected to cost \$3 million. Total cost of water and sewer system improvements is estimated to be \$13 million.

In 2021 the Council awarded a \$349,042 bid to upgrade the west lift station.

In 2021 the Council approved a \$25,000 budget to upgrade the bar.

In 2021 the Council adopted the International Property Code.

CITY OF ELKTON  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts			Actual: Budgetary Basis	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:	333,780				(333,780)
Ad valorem taxes			0	238,139	238,139
General sales and use taxes				116,189	116,189
Amusement tax				72	72
Licenses and permits:	500		500	2,445	1,945
Intergovernmental receipts:	46,350		46,350		(46,350)
State shared receipts:					
Grants				21,511	21,511
Bank franchise tax				4,351	4,351
Port of entry				1,338	1,338
Liquor tax revision				5,094	5,094
5% Motor vehicle license				9,718	9,718
Highway and bridge				27,538	27,538
County shared receipts:				6,741	6,741
Charges for goods and services:	49,500		49,500		(49,500)
General government					0
Fire				30,475	30,475
Sanitation				53,665	53,665
Ambulance				5,807	5,807
Culture and recreation	3,450		3,450	319	(3,131)
Fines and forfeits:			0		0
Miscellaneous receipts:	9,000		9,000		(9,000)
Interest received				3,006	3,006
Rents and franchise fees				8,717	8,717
Revolving loan payments				4,200	4,200
Donations				303	303
Other	3,100		3,100	13,652	10,552
Total receipts	445,680	0	0	553,280	107,600
Disbursements:					
General government:					
Mayor and Council	23,750	5,420		29,170	846
Contingency	22,000			22,000	22,000
Amount transferred		(22,000)		(22,000)	(22,000)
Elections	750		750	967	(217)
Financial administration	115,050		115,050	114,113	937
Government buildings	22,850	1,500	24,350	23,152	1,198
Public safety:					
Police	35,500		35,500	34,349	1,151
Fire	18,500		18,500	85,922	(67,422)
Protective inspection	11,500		11,500	11,204	296
Public works:					
Highways and Streets	131,400	550	131,950	92,284	39,666
Sanitation	45,400	1,530	51,900	51,902	(2)
Health and welfare:					
West Nile	2,000		850	2,816	34
Ambulance	5,700		5,700	15,976	(10,276)
Culture and recreation:					
Parks and recreation	20,500	13,000	5,400	38,832	68
Library	20,550		20,550	21,931	(1,381)
Economic development:	26,500		26,500	228	26,272
Total disbursements	501,950	0	11,220	513,170	(8,830)
Excess of receipts over (under) disbursements	(56,270)	0	(11,220)	(67,490)	98,770
Other financing sources (uses):					
Sale of surplus property			0	16,831	16,831
Net change in fund cash balance	(56,270)	0	(11,220)	48,111	115,601
Fund cash balance:					
January 1, 2020	570,542		570,542	570,542	0
December 31, 2020	514,272	0	(11,220)	618,653	115,601

CITY OF ELKTON  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts			Actual: Budgetary Basis	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:			Final		
Receipts from local sources:					
Taxes:	323,280		323,280		(323,280)
Ad valorem taxes			0	232,377	232,377
General sales and use taxes				103,361	103,361
Amusement tax				72	72
Licenses and permits:	500		500	1,329	829
Intergovernmental receipts:	46,350		46,350		(46,350)
State shared receipts:					
Bank franchise tax				3,819	3,819
Port of entry				1,368	1,368
Liquor tax revision				4,796	4,796
5% Motor vehicle license				9,327	9,327
Highway and bridge				27,249	27,249
County shared receipts:				6,713	6,713
Charges for goods and services:	45,800		45,800		(45,800)
General government				57	57
Fire				185,233	185,233
Sanitation				51,099	51,099
Special assessment				2,295	2,295
Ambulance				14,013	14,013
Culture and recreation	3,450		3,450	2,239	(1,211)
Fines and forfeits:			0	100	100
Miscellaneous receipts:			0		0
Interest received				5,761	5,761
Rents and franchise fees				10,749	10,749
Revolving loan payments				4,188	4,188
Donations				414	414
Other	12,400		12,400	14,693	2,293
Total receipts	431,780	0	0	431,780	681,252
Disbursements:					
General government:					
Mayor and Council	27,750		1,200	28,950	24,655
Contingency	21,000			21,000	21,000
Amount transferred		(21,000)		(21,000)	(21,000)
Elections	750			750	536
Financial administration	97,100	2,000		99,100	95,390
Government buildings	22,850			22,850	20,551
Public safety:					
Police	35,500			35,500	34,829
Fire	18,500			18,500	81,474
Protective inspection	5,000		600	5,600	5,503
Public works:					
Highways and Streets	114,900	7,000	5,200	127,100	117,982
Sanitation	43,400		9,200	52,600	52,570
Health and welfare:					
West Nile	2,000	350	1,170	3,520	3,520
Ambulance	5,700			5,700	10,688
Culture and recreation:					
Parks and recreation	22,500	11,650	2,600	36,750	33,698
Library	19,350			19,350	18,710
Economic development:	15,000		7,650	22,650	17,650
Total disbursements	451,300	0	27,620	478,920	517,756
Excess of receipts over (under) disbursements	(19,520)	0	(27,620)	(47,140)	163,496
Other financing sources (uses):					
Compensation for damaged property				0	2,869
Net change in fund cash balance	(19,520)	0	(27,620)	(47,140)	166,365
Fund cash balance:					
January 1, 2019, restated	404,177			404,177	404,177
December 31, 2019	384,657	0	(27,620)	357,037	570,542

## CITY OF ELKTON

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2020

2ND CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
General sales taxes	90,000		90,000	116,189	26,189
Interest received			0	3,655	3,655
Total receipts	90,000	0	90,000	119,844	29,844
Disbursements:					
Public works: Streets		9,080	9,080	57,351	(48,271)
Debt service: principal and int			0		0
Total disbursements	0	9,080	9,080	57,351	(48,271)
Excess of receipts over (under) disbursements	90,000	(9,080)	80,920	62,493	(18,427)
Other financing sources (uses): None			0		0
Change in fund balance	90,000	(9,080)	80,920	62,493	(18,427)
Fund balance:					
January 1, 2020	381,398		381,398	381,398	0
December 31, 2020	471,398	(9,080)	462,318	443,891	(18,427)

## FOR THE YEAR ENDING DECEMBER 31, 2019

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
General sales taxes	90,000		90,000	103,361	13,361
Interest received			0	3,655	3,655
Total receipts	90,000	0	90,000	107,016	17,016
Disbursements:					
Public safety: Fire			0		0
Public works: Streets		113,601	113,601	113,601	0
Health and welfare: ambulance	11,852		11,852	11,852	0
Debt service: principal and :	8,393		8,393	8,391	2
Total disbursements	20,245	113,601	133,846	133,844	2
Excess of receipts over (under) disbursements	69,755	(113,601)	(43,846)	(26,828)	17,018
Other financing sources (uses): None			0		0
Change in fund balance	69,755	(113,601)	(43,846)	(26,828)	17,018
Fund balance:					
January 1, 2019	408,226		408,226	408,226	0
December 31, 2019	477,981	(113,601)	364,380	381,398	17,018

## CITY OF ELKTON

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2020

LIBRARY FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Charges for goods and services	1,000		1,000	650	(350)
Total receipts	1,000	0	1,000	650	(350)
Disbursements:					
Library	1,000		1,000	2,173	(1,173)
Total disbursements	1,000	0	1,000	2,173	(1,173)
Excess of receipts over (under) disbursements	0	0	0	(1,523)	(1,523)
Other financing sources (uses):					
None			0		0
Change in fund balance	0	0	0	(1,523)	(1,523)
Fund balance:					
January 1, 2020	3,746		3,746	3,746	0
December 31, 2020	3,746	0	3,746	2,223	(1,523)

FOR THE YEAR ENDING DECEMBER 31, 2019

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Charges for goods and services	1,000		1,000	4,535	3,535
Total receipts	1,000	0	1,000	4,535	3,535
Disbursements:					
Library	1,000		1,000	3,420	(2,420)
Total disbursements	1,000	0	1,000	3,420	(2,420)
Excess of receipts over (under) disbursements	0	0	0	1,115	1,115
Other financing sources (uses):					
None			0		0
Change in fund balance	0	0	0	1,115	1,115
Fund balance:					
January 1, 2019	2,631		2,631	2,631	0
December 31, 2019	2,631	0	2,631	3,746	1,115

## CITY OF ELKTON

### NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

#### NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL REVENUE FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

##### 1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Elkton (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2019 there was one supplemental budget to the general fund. During 2020 there was one supplemental budget to the general fund. See page 34 and 35.
- e. Formal budgetary integration is employed as a management control device for the general, 2nd cent, and library funds.
- f. Budgets for the general, 2nd cent, and library funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

##### 2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplementary information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

## CITY OF ELKTON

SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM DEBT  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Beginning 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	Ending Governmental Funds 12-31-20	Ending Enterprise Funds 12-31-20	Principal Due in 2021
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2016 Fire Truck Bank Loan: (City's 40% portion)						
Original Amount of \$39,200						
Maturing on April 15, 2021						
Interest at 2.95%						
Purpose: Fire truck purchase						
Paid by the 2nd cent fund	23,739	(7,681)	(16,058)	0		0
			Paid by Fire Dept			
2007 Bank Loan for TIF #2:						
Original Amount of \$95,350						
Maturing on December 31, 2027						
Interest at 5.25%						
Purpose: Remodel retail store						
Secured by TIF #2 tax receipts						
Paid by TIF #2 debt service f	43,990	(5,664)	(5,665)	32,661		6,071
2009 TIF #3 Developer Contribution:						
Original Amount of \$687,464						
Maturing in 2027						
Interest at 6.50%						
Purpose: Subdivision improvements						
Secured by TIF #3 tax receipts						
Per developer amortization						
Paid by TIF #3 debt service f	558,445	(3,331)	(19,575)	535,539		12,855
Totals	626,174	(16,676)	(41,298)	568,200		18,926
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
2002 Water Utility Revenue Bonds: (RD)						
Original Issues of \$257,800						
Maturing on August 8, 2042						
Interest at 4.75%						
Purpose: Water tower construction						
Paid by the water fund	206,194	(4,746)	(4,971)		196,477	5,207
2002 Water Utility Revenue Bonds: (RD)						
Original Issues of \$44,200						
Maturing on August 8, 2042						
Interest at 4.75%						
Purpose: Water tower construction						
Paid by the water fund	35,352	(814)	(852)		33,686	893
2010 Clean Water Revenue Bond: (SRF)						
Original Issues of \$510,000						
Maturing on January 15, 2032						
Interest and fees at 3.00%						
Purpose: Wastewater Treatment System Improvements						
Loan forgiveness of \$130,000 in 2012						
Paid by the sewer fund	272,867	(17,038)	(17,555)		238,274	18,087
2020 Drinking Water Revenue Bond: (SRF)						
Original Issues of \$2,000,000						
Maturing on October 15, 2052						
Interest and fees at 2.75%						
Purpose: Phase I of water system improvements						
Loan forgiveness of \$585,280 in 2020						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the water fund.			1,005,637			
Paid by the water fund	0		(585,280) forgiven		420,357	0
2020 Clean Water Revenue Bond: (SRF)						
Original Issues of \$1,206,000						
Maturing on January 15, 2032						
Interest and fees at 3.00%						
Purpose: Phase I of sewer system improvements						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the sewer fund.						
Paid by the sewer fund	0		541,124		541,124	0
Totals	514,413	(22,598)	938,103		1,429,918	24,187

## CITY OF ELKTON

## SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN LONG-TERM DEBT (continued)  
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Payment Schedules:	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2007 Bank Loan for TIF #2:				
2021	7,786	6,071	1,715	26,590
2022	7,786	6,390	1,396	20,200
2023	7,786	6,725	1,061	13,475
2024	7,786	7,078	708	6,397
2025	6,732	6,397	335	0
	-----	-----	-----	
Totals	37,876	32,661	5,215	
	=====	=====	=====	
2009 TIF #3 Developer Contribution:				
2021	49,000	12,855	36,145	522,684
2022	50,000	17,980	32,020	504,704
2023	50,000	17,194	32,806	487,510
2024	50,000	18,225	31,775	469,285
2025	50,000	19,496	30,504	449,789
2026-2030	250,000	118,139	131,861	331,650
2031-2035	250,000	161,878	88,122	169,772
2036-2039	198,084	169,772	28,312	0
	-----	-----	-----	
Totals	947,084	535,539	411,545	
	=====	=====	=====	
2002 Water Utility Revenue Bonds:				
2021	14,540	5,207	9,333	191,270
2022	14,540	5,455	9,085	185,815
2023	14,540	5,714	8,826	180,101
2024	14,540	5,985	8,555	174,116
2025	14,540	6,269	8,271	167,847
2026-2030	72,699	36,107	36,592	131,740
2031-2035	72,700	45,537	27,163	86,203
2036-2040	72,699	57,429	15,270	28,774
2041-2042	30,968	28,774	2,194	0
	-----	-----	-----	
Totals	321,766	196,477	125,289	
	=====	=====	=====	
2002 Water Utility Revenue Bonds:				
2021	2,493	893	1,600	32,793
2022	2,493	935	1,558	31,858
2023	2,493	980	1,513	30,878
2024	2,493	1,026	1,467	29,852
2025	2,493	1,075	1,418	28,777
2026-2030	12,464	6,191	6,273	22,586
2031-2035	12,464	7,807	4,657	14,779
2036-2040	12,464	9,846	2,618	4,933
2041-2042	5,310	4,933	377	0
	-----	-----	-----	
Totals	55,167	33,686	21,481	
	=====	=====	=====	
2010 Clean Water Revenue Bond:				
2021	25,033	18,087	6,946	220,187
2022	25,034	18,636	6,398	201,551
2023	25,033	19,201	5,832	182,350
2024	25,034	19,784	5,250	162,566
2025	25,033	20,384	4,649	142,182
2026-2030	125,166	111,582	13,584	30,600
2031-2032	31,291	30,600	691	0
	-----	-----	-----	
Totals	281,624	238,274	43,350	
	=====	=====	=====	
2020 Drinking Water Revenue Bond: (SRF)				
2021		(697,883) additional debt		1,118,240
2021		406,168 forgiven		712,072
2022		(72,888) additional debt		784,960
2022		42,421 forgiven		742,539
2023-2052	To be determined		0	742,539
	-----	-----	-----	
Totals	0	(322,182)	0	
	=====	=====	=====	
2020 Clean Water Revenue Bond: (SRF)				
2021		(533,962)		1,075,086
2022		(52,864)		1,127,950
2023-2052	To be determined		0	1,127,950
	-----	-----	-----	
Totals	0	(586,826)	0	
	=====	=====	=====	

CITY OF ELKTON  
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET) LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0072133%	(313)	158,317	(00.20%)	100.04%
June 30, 2019	0.0062926%	(667)	133,800	(00.50%)	100.09%
June 30, 2018	0.0052247%	(122)	108,617	(00.11%)	100.02%
June 30, 2017	0.0060685%	(551)	123,300	(00.45%)	100.10%
June 30, 2016	0.0061393%	20,738	116,733	17.77%	96.89%
June 30, 2015	0.0054298%	(23,029)	99,133	(23.23%)	104.10%
June 30, 2014	0.0052966%	(38,160)	92,617	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF ELKTON  
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2020	10,347	10,347	0	172,450	6.00%
December 31, 2019	8,370	8,370	0	139,500	6.00%
December 31, 2018	7,172	7,172	0	119,533	6.00%
December 31, 2017	6,457	6,457	0	107,617	6.00%
December 31, 2016	8,098	8,098	0	134,967	6.00%
December 31, 2015	5,806	5,806	0	96,767	6.00%
December 31, 2014	5,650	5,650	0	94,167	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF ELKTON

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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 FCFR equal to or exceeding 100%. The condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

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

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

Governing Board  
City of Elkton  
Elkton, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Elkton (City), Brookings County, South Dakota, as of December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated April 4, 2022 which was an adverse opinion of a discretely presented component unit, qualified opinions for governmental activities and the general fund and unmodified opinions for business-type activities and all other funds.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elkton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and responses as items 2020-02 and 2020-04.

I did note other matters involving compliance that I reported to the governing body and management of the City of Elkton in a separate Letter of Comments dated April 4, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Elkton's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Elkton's internal control.

A *deficiency in internal control* exist 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 City of Elkton'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.

My 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. Given these limitations, during my audit I did identify one deficiency in internal control that I consider to be material weaknesses, which is described in the accompanying schedule of current audit findings and responses as item 2020-04. Also, additional material weaknesses may exist that have not been identified.

I did identify deficiencies in internal control, described in the accompanying schedule of current audit findings and responses, that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2020-01, 2020-02, and 2020-03 to be significant deficiencies.

I did note other matters involving internal control that I reported to the governing body and management of the City of Elkton in a separate Letter of Comments dated April 4, 2022.

#### Management's Response to Findings

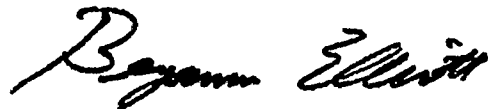
Management's responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



April 4, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

There are no prior year federal compliance audit findings.

Prior Other Audit Findings:

2003-04 (lack of proper segregation of duties): Repeated below as 2020-01  
2003-06 (capital asset records): Repeated below as 2020-02  
2005-09 (preparation of financial statement): Repeated below as 2020-03  
2008-08 (fire and ambulance records): Repeated below as 2020-04

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2020-01: Lack of Proper Segregation of Duties  
(internal control)

*Criteria:*

The management of the City is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, and reconciled bank statements. As a result, an inadequate segregation of duties existed for the revenue function of the City of Elkton.

*Questioned Cost:*

None could be identified regarding this finding.

*Effect:*

Inadequate segregation of duties can lead to the misappropriation of funds.

*Recommendation:*

I recommend the City of Elkton's management be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

*Management Response:*

Susan Schuurman, the City of Elkton's finance officer, is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City of Elkton is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2020-02: Capital Asset Records  
(compliance and internal control)

*Criteria:*

Accounting standards established by SDCL 4-11-6 requires adequate records to support a city's capital asset amounts.

*Condition:*

The City does not have adequate capital asset records.

*Effect:*

Inadequate capital asset records can results in inaccurate financial reporting and, possibly, the misappropriation of funds.

*Recommendation:*

Management of the City should maintain adequate capital asset records.

*Management Response:*

The City of Elkton is in the process of updating its capital asset records.

Finding 2020-03: Preparation of Financial Statements  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendations:*

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2020-04: Fire and Ambulance Department Records  
(compliance and internal control)

*Criteria:*

Governmental Accounting Standards Board (GASB) requires that a government's general purpose financial statements include the activity of all entities related to that government. (GASB Codification Sec. 2600) Also, South Dakota Codified Laws 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions. To fully comply with these statutes, the finance officer should have access to, or knowledge of, the balances and activity of bank accounts and books kept by the Elkton fire and ambulance departments.

*Condition:*

The fire and ambulance departments belongs to the City of Elkton. These departments keep their own books and records for fund raising activities to purchase equipment and support operations.

*Effect:*

Not having access to the books and records of the fire and ambulance departments can lead to misinformation and misappropriation of funds.

*Recommendation:*

All City departments, including the fire and ambulance departments, should comply with SDCL 9-14-17 and 9-14-18.

*Management Response:*

The City of Elkton will continue to attempt to get complete financial information from the fire and ambulance departments.