

**MUNICIPALITY OF BALTIC
BALTIC, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020
AND
FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF BALTIC

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Tracy Petersen

GOVERNING BOARD:

Bredan Tidemann, President
Travis Schreurs, Vice-President
Kiri Sells
Aaron Senner

FINANCE OFFICER:

Michelle Siemonsma

ATTORNEY:

Thomas Frieberg

Schoenfish & Co., Inc.

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CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57386

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

Municipal Council
Municipality of Baltic
Baltic, South Dakota

We 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 financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Baltic, South Dakota, as of December 31, 2021 and December 31, 2020, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated February 1, 2023, which was adverse because we were unable to determine the accuracy of many of the Balance Sheet accounts and many of these amounts also affect the proper reporting of revenue and expenditures/expenses.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2022-001 and 2022-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 as item 2021-003.

Municipality's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality of Baltic's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. We did not audit the Municipality's responses and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
February 1, 2023

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2019-001:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2021-001.

Finding Number 2019-002:

Expenditures exceeded the amounts budgeted in two departments of the General Fund in 2018. This comment has not been corrected and a similar comment is restated as current audit finding number 2021-003.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2021-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 2001.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause:

The office personnel process all revenue transactions from beginning to end. The office personnel also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increase likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Baltic officials 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's Response:

The Municipality of Baltic Mayor, Deborah McIsaac, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Baltic, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and to provide compensating internal controls.

Finding Number 2021-002:Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is the first audit in which a similar audit comment has occurred.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Cause:

The following deficiencies in internal accounting control and record keeping were noted:

- a. Significant errors and omissions were noted in the annual financial statements. The financial statements in this report have been adjusted to account for the errors and omissions.
- b. The following deficiencies in internal accounting control and record keeping were noted:
 1. Accounts receivables and due from other governments should be tracked and adjusted on the balance sheet at year end.
 2. Grants received should be analyzed to determine if revenue recognition requirements have been met and unearned revenue should be adjusted accordingly.
 3. The Utility Accounts Receivable and Delinquent Reports should be printed at year-end and reconciled to the balance sheet.
- c. Several errors were noted in receipting. We were unable to locate duplicate receipts for December 2021 and some state and county remittances couldn't be located either. Total revenue for several state and county revenue types could not be traced to the financial statements in 2021. Based on testing of revenue and cash, it appears cutoff was not proper as several receipts were posted to the wrong period.
- d. Bank reconciliations were not completed timely or properly resulting in incorrect cash amounts reported on the financial statements.
- e. Accurate monthly financial reports were not provided to the governing board.
- f. Several errors and timing issues were noted when reviewing payroll tax deposits, which could lead to a potential future payroll liability.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties, and improper records were maintained for the Municipality of Baltic.

Recommendations:

2. We recommend that financial information be more accurately presented and recorded in a timely manner.
3. We recommend that all necessary accounting records be established and properly maintained.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Management's Response:

The Municipality of Baltic Mayor, Deborah McIsaac, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Findings:

Finding Number 2021-003:

Condition:

Expenditures were in excess of the amounts budgeted for the General Fund for 2021. Several functions in 2021 and two functions in 2020 were also in excess of amounts budgeted in the General Fund. This has been a continuing audit comment since 2013.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Cause:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

4. We recommend that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of Baltic Mayor, Deborah McIsaac, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the mayor, current finance officer and future finance officer on June 12, 2023

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Baltic
Baltic, South Dakota

Adverse Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Baltic, South Dakota, (Municipality) as of December 31, 2021, and 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 Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Municipality of Baltic as of December 31, 2021 and December 31, 2020, and the respective changes in financial position and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

The Balance Sheet accounts are not adjusted to the actual balances at year end for both years and we were unable to determine the accuracy of many of the balances reported beyond the fact that material misstatements exist. Also, many of those amounts affect the proper reporting of revenue and expenditures/expenses.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality of Baltic, South Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Baltic, South Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality of Baltic, South Dakota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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The Municipality has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

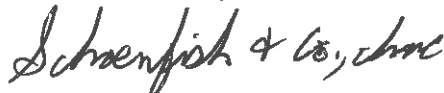
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
February 1, 2023

Schoenfish & Co., Inc.

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MUNICIPALITY OF BALTIC
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	788,850.40	514,462.21	1,303,312.61
Accounts Receivable, Net	12,999.23	20,059.87	33,059.10
Net Pension Asset	50,223.83	32,301.89	82,525.72
Capital Assets:			
Land	595,541.45	127,301.37	722,842.82
Other Capital Assets, Net of Depreciation	1,957,612.54	2,567,930.04	4,525,542.58
TOTAL ASSETS	3,405,227.45	3,262,055.38	6,667,282.83
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	66,143.45	42,540.73	108,684.18
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,143.45	42,540.73	108,684.18
LIABILITIES :			
Other Current Liabilities	4,590.10	40,029.17	44,619.27
Unearned Revenue		109,597.93	109,597.93
Noncurrent Liabilities:			
Due Within One Year	42,306.46	96,126.41	138,432.87
Due in More than One Year	194,604.30	970,255.87	1,164,860.17
TOTAL LIABILITIES	241,500.86	1,216,009.38	1,457,510.24
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	99,165.59	63,779.20	162,944.79
TOTAL DEFERRED INFLOWS OF RESOURCES	99,165.59	63,779.20	162,944.79
NET POSITION:			
Net Investment in Capital Assets	2,327,862.61	1,633,399.65	3,961,262.26
Restricted for:			
Capital Projects Purposes	532,189.77		532,189.77
Economic Development Purposes	37,255.61		37,255.61
SDRS Pension Purposes	17,201.69	11,063.42	28,265.11
Unrestricted (Deficit)	216,194.77	380,344.46	596,539.23
TOTAL NET POSITION	3,130,704.45	2,024,807.53	5,155,511.98

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	199,011.60	27,609.12			(171,402.48)		(171,402.48)
Public Safety	115,372.77	200.00			(115,172.77)		(115,172.77)
Public Works	308,044.51	154,868.39	27,755.76	48,863.31	(76,557.05)		(76,557.05)
Health and Welfare	17,551.64	2,832.50			(14,719.14)		(14,719.14)
Culture and Recreation	149,191.15	5,232.37			(143,958.78)		(143,958.78)
Conservation and Development	42,620.70				(42,620.70)		(42,620.70)
Miscellaneous	300.00	2,000.00			1,700.00		1,700.00
*Interest on Long-term Debt	11,817.59				(11,817.59)		(11,817.59)
Total Governmental Activities	843,909.96	192,742.38	27,755.76	48,863.31	(574,548.51)		(574,548.51)
Business-type Activities:							
Water	230,080.96	252,501.66				22,420.70	22,420.70
Sewer	173,849.34	207,319.69				33,470.35	33,470.35
Total Business-type Activities	403,930.30	459,821.35	0.00	0.00		55,891.05	55,891.05
Total Primary Government	1,247,840.26	652,563.73	27,755.76	48,863.31	(574,548.51)	55,891.05	(518,657.46)
General Revenues:							
Taxes:							
Property Taxes					236,429.66		236,429.66
Sales Taxes					300,487.63		300,487.63
State Shared Revenues					18,397.67		18,397.67
Grants and Contributions not Restricted to Specific Programs					200.00		200.00
Unrestricted Investment Earnings					91.53	25.53	117.06
Miscellaneous Revenue					15,750.72		15,750.72
Total General Revenues					571,357.21	25.53	571,382.74
Change in Net Position					(3,191.30)	55,916.58	52,725.28
Changes in Accounting Estimates (See Note 14.)					(24,141.00)	0.00	(24,141.00)
Net Position - Beginning					3,158,036.75	1,968,890.95	5,126,927.70
NET POSITION - ENDING					3,130,704.45	2,024,807.53	5,155,511.98

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	220,642.29		37,250.11	52,397.04	350,984.09	127,576.87	788,850.40
Taxes Receivable--Delinquent	3,270.22						3,270.22
Accounts Receivable, Net	6,652.60						6,652.60
Special Assessments Receivable--Delinquent				618.72			618.72
Due from State Government	1,839.14		5.50		613.05		2,457.69
Due from Park Fund	1,310.50						1,310.50
TOTAL ASSETS	233,714.75	0.00	37,255.61	53,015.76	351,597.14	127,576.87	803,160.13
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Due to State Government	1,356.06						1,356.06
Accrued Wages Payable	3,234.04						3,234.04
Due to General Fund		1,310.50					1,310.50
Total Liabilities	4,590.10	1,310.50	0.00	0.00	0.00	0.00	5,900.60
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	3,270.22			618.72			3,270.22
Unavailable Revenue--Special Assessments				618.72			618.72
Total Deferred Inflows of Resources	3,270.22	0.00	0.00	618.72	0.00	0.00	3,888.94
Fund Balances:							
Restricted for Economic Development			37,255.61				37,255.61
Restricted for Capital Projects				52,397.04	351,597.14	127,576.87	531,571.05
Assigned for Next Year's Budget	55,372.99						55,372.99
Unassigned	170,481.44	(1,310.50)					169,170.94
Total Fund Balances	225,854.43	(1,310.50)	37,255.61	52,397.04	351,597.14	127,576.87	793,370.59
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	233,714.75	0.00	37,255.61	53,015.76	351,597.14	127,576.87	803,160.13

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds	<u>793,370.59</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>50,223.83</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,553,153.99</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>66,143.45</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(236,910.76)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>3,888.94</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(99,165.59)</u>
Net Position - Governmental Activities	<u><u>3,130,704.45</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	236,041.13						236,041.13
General Sales and Use Taxes	220,106.02		7,244.82		73,136.79		300,487.63
Penalties and Interest on Delinquent Taxes	231.87						231.87
Licenses and Permits	27,459.12						27,459.12
Intergovernmental Revenue:							
State Shared Revenue:							
Bank Franchise Tax	10,117.14						10,117.14
Prorate License Fees	1,128.13						1,128.13
Liquor Tax Reversion	8,280.53						8,280.53
Motor Vehicle Licenses	11,184.82						11,184.82
Local Government Highway and Bridge Fund	13,404.83						13,404.83
County Shared Revenue:							
County Wheel Tax	2,037.98						2,037.98
Charges for Goods and Services:							
General Government	150.00						150.00
Sanitation	131,768.39						131,768.39
Health	2,832.50						2,832.50
Culture and Recreation	5,232.37						5,232.37
Fines and Forfeits:							
Court Fines and Costs	200.00						200.00
Miscellaneous Revenue:							
Investment Earnings	3.64			58.73	18.23	10.93	91.53
Rentals	23,100.00						23,100.00
Maintenance Assessments				48,833.01			48,833.01
Contributions and Donations from Private Sources	200.00						200.00
Liquor Operating Agreement Income	2,000.00						2,000.00
Other	13,565.93						13,565.93
Total Revenue	709,044.40	0.00	7,244.82	48,891.74	73,155.02	10.93	838,346.91

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	80,796.75						80,796.75
Elections	1,302.75						1,302.75
Financial Administration	55,119.51						55,119.51
Other	62,634.85						62,634.85
Total General Government	199,853.86	0.00	0.00	0.00	0.00	0.00	199,853.86
Public Safety:							
Police	66,339.00						66,339.00
Fire	16,000.00						16,000.00
Other Protection	31,673.02						31,673.02
Total Public Safety	114,012.02	0.00	0.00	0.00	0.00	0.00	114,012.02
Public Works:							
Highways and Streets	96,088.20			28,310.73			124,398.93
Sanitation	82,006.76						82,006.76
Total Public Works	178,094.96	0.00	0.00	28,310.73	0.00	0.00	206,405.69
Health and Welfare:							
Health	9,972.13						9,972.13
Humane Society	1,430.21						1,430.21
Ambulance	5,000.00						5,000.00
Total Health and Welfare	16,402.34	0.00	0.00	0.00	0.00	0.00	16,402.34
Culture and Recreation:							
Parks	131,811.35	1,588.20					133,399.55
Libraries	2,777.64						2,777.64
Total Culture and Recreation	134,588.99	1,588.20	0.00	0.00	0.00	0.00	136,177.19
Conservation and Development:							
Economic Development and Assistance	45,599.17						45,599.17
Total Conservation and Development	45,599.17	0.00	0.00	0.00	0.00	0.00	45,599.17

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Expenditures (Continued):							
Debt Service	47,973.74	0.00	0.00	0.00	0.00	0.00	47,973.74
Capital Outlay	19,250.00	0.00	0.00	0.00	0.00	0.00	19,250.00
Miscellaneous:							
Liquor Operating Agreements	300.00						300.00
Total Miscellaneous	300.00	0.00	0.00	0.00	0.00	0.00	300.00
Total Expenditures	756,075.08	1,588.20	0.00	28,310.73	0.00	0.00	785,974.01
Excess of Revenue Over (Under) Expenditures	(47,030.68)	(1,588.20)	7,244.82	20,581.01	73,155.02	10.93	52,372.90
Other Financing Sources (Uses):							
Sale of Municipal Property	78.30						78.30
Compensation for Loss or Damage to Capital Assets	2,106.49						2,106.49
Total Other Financing Sources (Uses)	2,184.79	0.00	0.00	0.00	0.00	0.00	2,184.79
Net Change in Fund Balances	(44,845.89)	(1,588.20)	7,244.82	20,581.01	73,155.02	10.93	54,557.69
Changes in Accounting Estimates (See Note 14.)	(24,141.00)						(24,141.00)
Fund Balance - Beginning	294,841.32	277.70	30,010.79	31,816.03	278,442.12	127,565.94	762,953.90
FUND BALANCE - ENDING	225,854.43	(1,310.50)	37,255.61	52,397.04	351,597.14	127,576.87	793,370.59

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	<u>54,557.69</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>19,250.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(127,423.60)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>36,156.15</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>156.66</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>30.30</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(101.71)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>701.59</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>13,481.62</u>
Change in Net Position of Governmental Activities	<u><u>(3,191.30)</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	327,630.96	186,831.25	514,462.21
Accounts Receivable, Net	11,236.96	8,822.91	20,059.87
Total Current Assets	338,867.92	195,654.16	534,522.08
Noncurrent Assets:			
Net Pension Asset	16,150.04	16,151.85	32,301.89
Capital Assets:			
Land	30,816.00	96,485.37	127,301.37
Improvements Other Than Buildings	1,585,898.62	2,318,070.14	3,903,968.76
Machinery and Equipment	15,015.75	61,567.53	76,583.28
Less: Accumulated Depreciation	(609,181.53)	(803,440.47)	(1,412,622.00)
Total Noncurrent Assets	1,038,698.88	1,688,834.42	2,727,533.30
TOTAL ASSETS	1,377,566.80	1,884,488.58	3,262,055.38
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	21,269.17	21,271.56	42,540.73
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,269.17	21,271.56	42,540.73
LIABILITIES:			
Current Liabilities:			
Accrued Wages Payable	708.53	708.53	1,417.06
Customer Deposits	38,612.11		38,612.11
Unearned Revenue	56,933.49	52,664.44	109,597.93
Bonds Payable Current:			
Revenue	36,011.81	52,152.86	88,164.67
Accrued Leave Payable -- Current	2,000.00	2,000.00	4,000.00
Other Long Term Liabilities - Current	1,980.87	1,980.87	3,961.74
Total Current Liabilities	136,246.81	109,506.70	245,753.51
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	288,354.20	674,768.58	963,122.78
Other Long Term Liabilities	3,291.29	3,291.28	6,582.57
Accrued Leave Payable	275.26	275.26	550.52
Total Noncurrent Liabilities	291,920.75	678,335.12	970,255.87
TOTAL LIABILITIES	428,167.56	787,841.82	1,216,009.38
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	31,887.81	31,891.39	63,779.20
TOTAL DEFERRED INFLOWS OF RESOURCES	31,887.81	31,891.39	63,779.20
NET POSITION:			
Net Investment in Capital Assets	692,910.67	940,488.98	1,633,399.65
Restricted For:			
SDRS Pension Purposes	5,531.40	5,532.02	11,063.42
Unrestricted Net Position	240,338.53	140,005.93	380,344.46
TOTAL NET POSITION	938,780.60	1,086,026.93	2,024,807.53

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	245,023.85	207,319.69	452,343.54
Revenue Dedicated to Servicing Debt	7,477.81		7,477.81
Total Operating Revenue	252,501.66	207,319.69	459,821.35
Operating Expenses:			
Personal Services	57,768.69	61,078.02	118,846.71
Other Current Expense	68,095.22	28,849.08	96,944.30
Materials (Cost of Goods Sold)	48,234.45		48,234.45
Depreciation	44,317.21	58,392.96	102,710.17
Total Operating Expenses	218,415.57	148,320.06	366,735.63
Operating Income (Loss)	34,086.09	58,999.63	93,085.72
Nonoperating Revenue (Expense):			
Investment Earnings	18.23	7.30	25.53
Interest Expense	(11,665.39)	(25,529.28)	(37,194.67)
Total Nonoperating Revenue (Expense)	(11,647.16)	(25,521.98)	(37,169.14)
Change in Net Position	22,438.93	33,477.65	55,916.58
Net Position - Beginning	916,341.67	1,052,549.28	1,968,890.95
NET POSITION - ENDING	938,780.60	1,086,026.93	2,024,807.53

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	248,554.34	200,819.64	449,373.98
Cash Payments to Employees for Services	(66,036.65)	(69,346.54)	(135,383.19)
Cash Payments to Suppliers of Goods and Services	(116,329.67)	(28,849.08)	(145,178.75)
Net Cash Provided (Used) by Operating Activities	66,188.02	102,624.02	168,812.04
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Contributions	52,664.45	52,664.44	105,328.89
Operating Grants	1,655.71	1,655.70	3,311.41
Principal Paid on Capital Debt	(48,829.28)	(52,189.21)	(101,018.49)
Interest Paid on Capital Debt	(11,665.39)	(25,529.28)	(37,194.67)
Net Cash (Used) by Capital and Related Financing Activities	(6,174.51)	(23,398.35)	(29,572.86)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	18.23	7.30	25.53
Net Cash Provided by Investing Activities	18.23	7.30	25.53
Net Increase (Decrease) in Cash and Cash Equivalents	60,031.74	79,232.97	139,264.71
Balances - Beginning	267,599.22	107,598.28	375,197.50
Balances - Ending	327,630.96	186,831.25	514,462.21
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	34,086.09	58,999.63	93,085.72
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	44,317.21	58,392.96	102,710.17
(Increase) decrease in Receivables	(7,302.51)	(6,500.05)	(13,802.56)
(Increase) decrease in Pension Related Deferred Outflows	(11,543.46)	(11,545.17)	(23,088.63)
(Increase) decrease in Net Pension Asset	(16,090.85)	(16,092.66)	(32,183.51)
(Decrease) increase in Accrued Wages Payable	7.40	7.40	14.80
(Decrease) increase in Accrued Leave Payable	(3,665.72)	(3,665.72)	(7,331.44)
(Decrease) increase in Pension Related Deferred Inflows	23,024.67	23,027.63	46,052.30
(Decrease) increase in Unearned Revenue	(431.92)		(431.92)
(Decrease) increase in Customer Deposits	3,787.11		3,787.11
Net Cash Provided (Used) by Operating Activities	66,188.02	102,624.02	168,812.04

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	633,071.72	375,197.50	1,008,269.22
Accounts Receivable, Net	120,926.59	9,568.72	130,495.31
Restricted Assets:			
Deposits	24,141.00		24,141.00
Net Pension Asset	193.82	118.38	312.20
Capital Assets:			
Land	595,541.45	127,301.37	722,842.82
Other Capital Assets, Net of Depreciation	2,065,786.14	2,670,640.21	4,736,426.35
TOTAL ASSETS	3,439,660.72	3,182,826.18	6,622,486.90
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	31,848.88	19,452.10	51,300.98
TOTAL DEFERRED OUTFLOWS OF RESOURCES	31,848.88	19,452.10	51,300.98
LIABILITIES :			
Accounts Payable	1,658.80		1,658.80
Other Current Liabilities	9,824.63	36,227.26	46,051.89
Unearned Revenue		4,700.96	4,700.96
Noncurrent Liabilities:			
Due Within One Year	41,156.15	106,325.64	147,481.79
Due in More than One Year	231,809.05	1,068,406.57	1,300,215.62
TOTAL LIABILITIES	284,448.63	1,215,660.43	1,500,109.06
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	29,024.22	17,726.90	46,751.12
TOTAL DEFERRED INFLOWS OF RESOURCES	29,024.22	17,726.90	46,751.12
NET POSITION:			
Net Investment in Capital Assets	2,399,880.06	1,635,091.33	4,034,971.39
Restricted for:			
Capital Projects Purposes	438,412.51		438,412.51
Economic Development Purposes	30,010.79		30,010.79
SDRS Pension Purposes	3,018.48	1,843.58	4,862.06
Park Purposes	277.70		277.70
Cumulative Insurance Reserve	24,141.00		24,141.00
Unrestricted (Deficit)	262,296.21	331,956.04	594,252.25
TOTAL NET POSITION	3,158,036.75	1,968,890.95	5,126,927.70

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	145,777.54	68,614.89	159,350.35		82,187.70		82,187.70
Public Safety	174,943.87	6,059.30			(168,884.57)		(168,884.57)
Public Works	307,770.28	109,865.14	25,626.96	39,813.47	(132,464.71)		(132,464.71)
Health and Welfare	3,542.36		1,046.00		(2,496.36)		(2,496.36)
Culture and Recreation	112,783.73	8,846.10			(103,937.63)		(103,937.63)
Conservation and Development	45,940.48				(45,940.48)		(45,940.48)
Miscellaneous	300.00	1,800.00			1,500.00		1,500.00
*Interest on Long-term Debt	11,353.93				(11,353.93)		(11,353.93)
Total Governmental Activities	802,412.19	195,185.43	186,023.31	39,813.47	(381,389.98)		(381,389.98)
Business-type Activities:							
Water	209,134.35	217,244.38	1,655.71			9,765.74	9,765.74
Sewer	176,739.15	186,557.31	11,655.70			21,473.86	21,473.86
Total Business-type Activities	385,873.50	403,801.69	13,311.41	0.00		31,239.60	31,239.60
Total Primary Government	1,188,285.69	598,987.12	199,334.72	39,813.47	(381,389.98)	31,239.60	(350,150.38)
General Revenues:							
Taxes:							
Property Taxes					227,934.79		227,934.79
Sales Taxes					233,791.84		233,791.84
State Shared Revenues					16,943.70		16,943.70
Unrestricted Investment Earnings					475.64	885.05	1,360.69
Miscellaneous Revenue					1,107.97		1,107.97
Extraordinary Items					20,336.06		20,336.06
Total General Revenues and Extraordinary Items					500,590.00	885.05	501,475.05
Change in Net Position					119,200.02	32,124.65	151,324.67
Net Position - Beginning					3,038,836.73	1,936,766.30	4,975,603.03
NET POSITION - ENDING					3,158,036.75	1,968,890.95	5,126,927.70

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	166,545.26	277.70	30,010.79	31,816.03	276,856.00	127,565.94	633,071.72
Taxes Receivable--Delinquent	3,113.56						3,113.56
Accounts Receivable, Net	1,771.94						1,771.94
Special Assessments Receivable--Delinquent				588.42			588.42
Due from State Government	113,866.55				1,586.12		115,452.67
Restricted Assets:							
Deposits	24,141.00						24,141.00
TOTAL ASSETS	309,438.31	277.70	30,010.79	32,404.45	278,442.12	127,565.94	778,139.31
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	1,658.80						1,658.80
Due to State Government	631.85						631.85
Accrued Wages Payable	9,192.78						9,192.78
Total Liabilities	11,483.43	0.00	0.00	0.00	0.00	0.00	11,483.43
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	3,113.56						3,113.56
Unavailable Revenue--Special Assessments				588.42			588.42
Total Deferred Inflows of Resources	3,113.56	0.00	0.00	588.42	0.00	0.00	3,701.98
Fund Balances:							
Nonspendable - Cumulative Insurance Reserve	24,141.00						24,141.00
Restricted for Park Purposes		277.70					277.70
Restricted for Economic Development			30,010.79				30,010.79
Restricted for Capital Projects				31,816.03	278,442.12	127,565.94	437,824.09
Assigned for Next Year's Budget	7,517.00						7,517.00
Unassigned	263,183.32						263,183.32
Total Fund Balances	294,841.32	277.70	30,010.79	31,816.03	278,442.12	127,565.94	762,953.90
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	309,438.31	277.70	30,010.79	32,404.45	278,442.12	127,565.94	778,139.31

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances - Governmental Funds	<u>762,953.90</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>193.82</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,661,327.59</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>31,848.88</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(272,965.20)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>3,701.98</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(29,024.22)</u>
Net Position - Governmental Activities	<u><u>3,158,036.75</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIMORE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	229,818.73						229,818.73
General Sales and Use Taxes	170,061.63		7,043.12		56,687.09		233,791.84
Amusement Taxes	12.00						12.00
Penalties and Interest on Delinquent Taxes	919.95						919.95
Licenses and Permits	18,594.45						18,594.45
Intergovernmental Revenue:							
Federal Grants	159,350.35						159,350.35
State Grants	1,046.00						1,046.00
State Shared Revenue:							
Bank Franchise Tax	9,405.91						9,405.91
Prorate License Fees	400.42						400.42
Liquor Tax Reversion	7,537.79						7,537.79
Motor Vehicle Licenses	10,454.50						10,454.50
Local Government Highway and Bridge Fund	12,865.11						12,865.11
County Shared Revenue:							
County Wheel Tax	1,906.93						1,906.93
Charges for Goods and Services:							
Public Safety	6,059.30						6,059.30
Sanitation	109,865.14						109,865.14
Culture and Recreation	8,846.10						8,846.10
Miscellaneous Revenue:							
Investment Earnings	112.85	0.91	39.04		631.68	323.49	1,107.97
Rentals	50,020.44						50,020.44
Maintenance Assessments				40,021.09			40,021.09
Contributions and Donations from Private Sources	475.64						475.64
Liquor Operating Agreement Income	1,800.00						1,800.00
Other	20,126.06						20,126.06
Total Revenue	819,679.30	0.91	7,082.16	40,021.09	57,318.77	323.49	924,425.72

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BAL TIC
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	51,977.78						51,977.78
Financial Administration	74,286.23						74,286.23
Other	17,458.31						17,458.31
Total General Government	143,722.32	0.00	0.00	0.00	0.00	0.00	143,722.32
Public Safety:							
Police	64,610.00						64,610.00
Fire	75,089.82						75,089.82
Other Protection	27,649.70						27,649.70
Total Public Safety	167,349.52	0.00	0.00	0.00	0.00	0.00	167,349.52
Public Works:							
Highways and Streets	80,288.50			42,028.62	4.99		122,322.11
Sanitation	85,859.58						85,859.58
Total Public Works	166,148.08	0.00	0.00	42,028.62	4.99	0.00	208,181.69
Health and Welfare:							
Health	2,393.06						2,393.06
Humane Society	1,233.60						1,233.60
Ambulance	5,000.00						5,000.00
Total Health and Welfare	8,626.66	0.00	0.00	0.00	0.00	0.00	8,626.66
Culture and Recreation:							
Parks	92,754.90						92,754.90
Libraries	1,667.01						1,667.01
Total Culture and Recreation	94,421.91	0.00	0.00	0.00	0.00	0.00	94,421.91
Conservation and Development:							
Economic Development and Assistance	42,894.79		950.00				43,844.79
Total Conservation and Development	42,894.79	0.00	950.00	0.00	0.00	0.00	43,844.79

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
Expenditures (Continued):							
Debt Service	38,317.88	0.00	0.00	0.00	0.00	0.00	38,317.88
Capital Outlay	59,369.98	0.00	0.00	0.00	115,563.25	0.00	174,933.23
Miscellaneous:	300.00						300.00
Liquor Operating Agreements	300.00	0.00	0.00	0.00	0.00	0.00	300.00
Total Miscellaneous							
Total Expenditures	721,151.14	0.00	950.00	42,028.62	115,568.24	0.00	879,698.00
Excess of Revenue Over (Under) Expenditures	98,528.16	0.91	6,132.16	(2,007.53)	(58,249.47)	323.49	44,727.72
Other Financing Sources (Uses):							
Transfers In					25,200.00		25,200.00
Sale of Municipal Property	210.00						210.00
Long-Term Debt Issued	40,025.00						40,025.00
Transfers Out	(25,200.00)						(25,200.00)
Total Other Financing Sources (Uses)	15,035.00	0.00	0.00	0.00	25,200.00	0.00	40,235.00
Net Change in Fund Balances	113,563.16	0.91	6,132.16	(2,007.53)	(33,049.47)	323.49	84,962.72
Fund Balance - Beginning	181,278.16	276.79	23,878.63	33,823.56	311,491.59	127,242.45	677,991.18
FUND BALANCE - ENDING	294,841.32	277.70	30,010.79	31,816.03	278,442.12	127,565.94	762,953.90

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds	<u>84,962.72</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>174,933.23</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(118,183.07)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>26,963.95</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(40,025.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(2,815.89)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(207.62)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>2,683.41</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>(267.23)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(8,844.48)</u>
Change in Net Position of Governmental Activities	<u><u>119,200.02</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	267,599.22	107,598.28	375,197.50
Accounts Receivable, Net	3,934.45	2,322.86	6,257.31
Due from Other Government	1,655.71	1,655.70	3,311.41
Total Current Assets	273,189.38	111,576.84	384,766.22
Noncurrent Assets:			
Net Pension Asset	59.19	59.19	118.38
Capital Assets:			
Land	30,816.00	96,485.37	127,301.37
Improvements Other Than Buildings	1,585,898.62	2,318,070.14	3,903,968.76
Machinery and Equipment	15,015.75	61,567.53	76,583.28
Less: Accumulated Depreciation	(564,864.32)	(745,047.51)	(1,309,911.83)
Total Noncurrent Assets	1,066,925.24	1,731,134.72	2,798,059.96
TOTAL ASSETS	1,340,114.62	1,842,711.56	3,182,826.18
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	9,725.71	9,726.39	19,452.10
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,725.71	9,726.39	19,452.10
LIABILITIES:			
Current Liabilities:			
Accrued Wages Payable	701.13	701.13	1,402.26
Customer Deposits	34,825.00		34,825.00
Unearned Revenue	4,700.96		4,700.96
Bonds Payable Current:			
Revenue	47,239.92	50,599.84	97,839.76
Accrued Leave Payable – Current	2,500.00	2,500.00	5,000.00
Other Long Term Liabilities - Current	1,742.94	1,742.94	3,485.88
Total Current Liabilities	91,709.95	55,543.91	147,253.86
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	322,469.49	725,024.93	1,047,494.42
Other Long Term Liabilities	7,015.10	7,015.09	14,030.19
Accrued Leave Payable	3,440.98	3,440.98	6,881.96
Total Noncurrent Liabilities	332,925.57	735,481.00	1,068,406.57
TOTAL LIABILITIES	424,635.52	791,024.91	1,215,660.43
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	8,863.14	8,863.76	17,726.90
TOTAL DEFERRED INFLOWS OF RESOURCES	8,863.14	8,863.76	17,726.90
NET POSITION:			
Net Investment in Capital Assets	688,398.60	946,692.73	1,635,091.33
Restricted For:			
SDRS Pension Purposes	921.76	921.82	1,843.58
Unrestricted Net Position	227,021.31	104,934.73	331,956.04
TOTAL NET POSITION	916,341.67	1,052,549.28	1,968,890.95

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	212,093.60	186,557.31	398,650.91
Revenue Dedicated to Servicing Debt	4,754.86		4,754.86
Miscellaneous	395.92		395.92
Total Operating Revenue	217,244.38	186,557.31	403,801.69
Operating Expenses:			
Personal Services	54,078.45	54,077.37	108,155.82
Other Current Expense	45,293.00	37,642.77	82,935.77
Materials (Cost of Goods Sold)	52,869.27		52,869.27
Depreciation	44,317.21	58,392.96	102,710.17
Total Operating Expenses	196,557.93	150,113.10	346,671.03
Operating Income (Loss)	20,686.45	36,444.21	57,130.66
Nonoperating Revenue (Expense):			
Operating Grants	1,655.71	11,655.70	13,311.41
Investment Earnings	460.66	424.39	885.05
Interest Expense	(12,576.42)	(26,626.05)	(39,202.47)
Total Nonoperating Revenue (Expense)	(10,460.05)	(14,545.96)	(25,006.01)
Change in Net Position	10,226.40	21,898.25	32,124.65
Net Position - Beginning	906,115.27	1,030,651.03	1,936,766.30
NET POSITION - ENDING	916,341.67	1,052,549.28	1,968,890.95

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF BALTIC
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	239,172.01	201,877.95	441,049.96
Cash Payments to Employees for Services	(50,771.32)	(50,770.30)	(101,541.62)
Cash Payments to Suppliers of Goods and Services	(98,162.27)	(37,642.77)	(135,805.04)
Net Cash Provided (Used) by Operating Activities	90,238.42	113,464.88	203,703.30
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Operating Grants		10,000.00	10,000.00
Purchase of Capital Assets		(8,419.66)	(8,419.66)
Principal Paid on Capital Debt	(51,554.31)	(50,611.36)	(102,165.67)
Interest Paid on Capital Debt	(12,576.42)	(26,626.05)	(39,202.47)
Net Cash (Used) by Capital and Related Financing Activities	(64,130.73)	(75,657.07)	(139,787.80)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	460.66	424.39	885.05
Net Cash Provided by Investing Activities	460.66	424.39	885.05
Net Increase (Decrease) in Cash and Cash Equivalents	26,568.35	38,232.20	64,800.55
Balances - Beginning	241,030.87	69,366.08	310,396.95
Balances - Ending	267,599.22	107,598.28	375,197.50
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	20,686.45	36,444.21	57,130.66
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	44,317.21	58,392.96	102,710.17
(Increase) decrease in Receivables	16,249.92	15,320.64	31,570.56
(Increase) decrease in Pension Related Deferred Outflows	(986.02)	(986.70)	(1,972.72)
(Increase) decrease in Net Pension Asset	133.56	133.56	267.12
(Decrease) increase in Accrued Wages Payable	22.56	22.56	45.12
(Decrease) increase in Accrued Leave Payable	753.07	753.07	1,506.14
(Decrease) increase in Pension Related Deferred Inflows	3,383.96	3,384.58	6,768.54
(Decrease) increase in Unearned Revenue	3,567.71		3,567.71
(Decrease) increase in Customer Deposits	2,110.00		2,110.00
Net Cash Provided (Used) by Operating Activities	90,238.42	113,464.88	203,703.30

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Baltic (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. 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 or services.

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

Fund Financial Statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources 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.

Park Fund – to account for fees received for park purposes to include golf courses, tennis courts, ball grounds, and other athletic amusements and necessary facilities in connection with the park system. (SDCL 9-38-6) This is a major fund.

Third Penny Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

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

Street Capital Project Fund – to account for financial resources to be used for the construction of streets and municipal improvements. This is a major fund.

Building Capital Projects Fund – to account for financial resources to build a community center. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

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 on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Baltic, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2020 and 2021 are solid waste fees and sales tax revenues.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

e. Capital Assets:

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	15-50 yrs.
Buildings	\$ 50,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-20 yrs.
Infrastructure	\$ 5,000.00	Straight-line	15-75 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of SRF loans, financing (capital acquisition) leases, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

I. Application of Net Position:

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

m. 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 Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as South Dakota Insurance Reserve.

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

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

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

Major Special Revenue Fund

Park Fund

Third Penny Sales Tax Fund

Street Assessment Fund

Revenue Source

Private Donations

Sales Tax Revenue

Maintenance Assessment

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended 12/31/2020	Year Ended 12/31/2021
General Fund:		
Legislative		\$ 22,276.75
Financial Administration	\$ 422.23	
Other- General Govt		\$ 12,234.85
Fire	\$ 89.82	
Other Protection		\$ 1,362.02
Highways and Streets		\$ 5,555.20
Parks		\$ 11,997.35
Debt Service		\$ 9,406.66

The Municipality plans to take the following actions to address these violations: Contingency transfers and supplemental budgets will be used to eliminate this in the future.

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

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipal funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

The Municipality did have funds deposited with SDFIT, as shown below, which is reported as a cash and cash equivalent.

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

As of December 31, 2021 and 2020, the Municipality had the following funds deposited with SDFIT, as shown below, which is reported as a cash and cash equivalent.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value 12/31/2020</u>	<u>Fair Value 12/31/2021</u>
External Investment Pools:			
SDFIT	Unrated	\$ 593,365.97	\$ 593,424.30
TOTAL INVESTMENTS		<u>\$ 593,365.97</u>	<u>\$ 593,424.30</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties.

The net asset value of SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2021, is as follows:

	Balance 01/01/20	Increases	Decreases	Balance 12/31/21
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	479,978.20	115,563.25		595,541.45
Total, not being depreciated	479,978.20	115,563.25	0.00	595,541.45
Capital Assets, being depreciated:				
Buildings	307,057.18			307,057.18
Improvements Other Than Buildings	2,956,634.21			2,956,634.21
Machinery & Equipment	404,276.22	78,619.98		482,896.20
Total, being depreciated	3,667,967.61	78,619.98	0.00	3,746,587.59
Less Accumulated Depreciation for:				
Buildings	(48,636.77)	(12,583.56)		(61,220.33)
Improvements Other Than Buildings	(1,287,823.97)	(171,427.97)		(1,459,251.94)
Machinery & Equipment	(206,907.64)	(61,595.14)		(268,502.78)
Total Accumulated Depreciation	(1,543,368.38)	(245,606.67)	0.00	(1,788,975.05)
Total Capital Assets, being depreciated, net	2,124,599.23	(166,986.69)	0.00	1,957,612.54
Governmental Activity Capital Assets, Net	2,604,577.43	(51,423.44)	0.00	2,553,153.99

Depreciation expense was charged to functions as follows:

	2020	2021
Governmental Activities:		
General Government	1,185.05	3,452.83
Public Safety	1,360.75	1,360.75
Public Works	97,857.37	105,042.79
Health and Welfare	1,149.30	1,149.30
Culture and Recreation	16,630.60	16,417.93
Total Depreciation Expense - Governmental Activities	118,183.07	127,423.60

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/20	Increases	Decreases	Balance 12/31/21
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	127,301.37			127,301.37
Total, not being depreciated	127,301.37	0.00	0.00	127,301.37
Capital Assets, being depreciated:				
Improvements Other Than Buildings	3,903,968.76			3,903,968.76
Machinery & Equipment	68,163.62	8,419.66		76,583.28
Total, being depreciated	3,972,132.38	8,419.66	0.00	3,980,552.04
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(1,184,293.77)	(195,148.08)		(1,379,441.85)
Machinery & Equipment	(22,907.89)	(10,272.26)		(33,180.15)
Total Accumulated Depreciation	(1,207,201.66)	(205,420.34)	0.00	(1,412,622.00)
Total Capital Assets, being depreciated, net	2,764,930.72	(197,000.68)	0.00	2,567,930.04
Business-Type Activity Capital Assets, Net	2,892,232.09	(197,000.68)	0.00	2,695,231.41

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2020	2021
Water	44,317.21	44,317.21
Sewer	58,392.96	58,392.96
Total Depreciation Expense - Business-Type Activities	102,710.17	102,710.17

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/20	Additions	Deletions	Ending Balance 12/31/2021	Due Within One Year
Primary Government:					
Governmental Activities:					
Financing (Capital					
Acquisition) Leases:					
Kinetic - Street Project	230,724.80		47,755.80	182,969.00	25,534.32
US Bank - Snowplow	17,661.68		7,117.38	10,544.30	3,961.73
Note Payable - Dump Truck	0.00	40,025.00	8,246.92	31,778.08	7,810.41
Total Debt	248,386.48	40,025.00	63,120.10	225,291.38	37,306.46
Accrued Compensated Absences-					
Governmental Funds	14,201.08	20,709.68	23,291.38	11,619.38	5,000.00
Total Governmental Activities	262,587.56	60,734.68	86,411.48	236,910.76	42,306.46
Business-Type Activities:					
State Revolving Fund Loan -					
Clean Water # 1	111,261.82		50,309.55	60,952.27	26,500.60
State Revolving Fund Loan -					
Drinking Water # 1	68,568.59		31,004.75	37,563.84	16,331.79
State Revolving Fund Loan -					
Clean Water # 2	97,787.19		14,316.36	83,470.83	7,485.56
State Revolving Fund Loan -					
Drinking Water # 2	28,181.55		28,181.55	0.00	0.00
State Revolving Fund Loan -					
Clean Water # 3	617,114.32		34,615.98	582,498.34	18,166.70
State Revolving Fund Loan -					
Drinking Water # 3	324,440.79		37,638.62	286,802.17	19,680.02
Financing (Capital					
Acquisition) Leases:					
US Bank - Snowplow	17,661.66		7,117.35	10,544.31	3,961.74
Total Debt	1,265,015.92	0.00	203,184.16	1,061,831.76	92,126.41
Accrued Compensated Absences -					
Business-Type Funds	10,375.82	12,198.32	18,023.62	4,550.52	4,000.00
Total Business-Type Activities	1,275,391.74	12,198.32	221,207.78	1,066,382.28	96,126.41
TOTAL PRIMARY GOVERNMENT	1,537,979.30	72,933.00	307,619.26	1,303,293.04	138,432.87

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Debt payable at December 31, 2021 is comprised of the following:

<u>State Revolving Fund Loan - Clean Water # 1:</u>	
State Revolving Fund Loan for Sewer Project	\$ 60,952.27
Interest Rate 3.50%, Maturity January 15, 2024	
Payable from Sewer Fund	
<u>State Revolving Fund Loan - Drinking Water # 1:</u>	
State Revolving Fund Loan for Water Project	\$ 37,563.84
Interest Rate 3.50%, Maturity January 15, 2024	
Payable from Water Fund	
<u>State Revolving Fund Loan - Clean Water # 2:</u>	
State Revolving Fund Loan for Sewer Project	\$ 83,470.83
Interest Rate 3.00%, Maturity July 15, 2031	
Payable from Sewer Fund	
<u>State Revolving Fund Loan - Clean Water # 3:</u>	
State Revolving Fund Loan for Sewer Project	\$ 582,498.34
Interest Rate 3.25%, Maturity January 15, 2044	
Payable from Sewer Fund	
<u>State Revolving Fund Loan - Drinking Water # 3:</u>	
State Revolving Fund Loan for Water Project	\$ 286,802.17
Interest Rate 3.00%, Maturity January 15, 2034	
Payable from Water Fund	
<u>Compensated Absences:</u>	
General Fund	\$ 11,619.38
Water Fund	\$ 2,275.26
Sewer Fund	\$ 2,275.26
Payment to be made by the fund that the payroll expenditures are charged to.	
<u>Note Payable:</u>	
First National Bank in Sioux Falls – Dump Truck	\$ 31,778.08
Interest Rate 2.60%, Maturity November 20, 2025	
Payable from General Fund	
<u>Financing (Capital Acquisition) Leases:</u>	
US Bank – Lease Payable for Boss Power V Snowplow	\$ 21,088.61
Interest Rate 4.36%, Maturity July 1, 2024	
Payable from General, Water and Sewer Funds	
Kinetic Lease - Lease Payable for Street Project,	\$ 182,969.00
Interest Rate 4.51%, Maturity April 1, 2028	
Payable from General Fund	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The purchase price at the commencement of the financing (capital acquisition) leases were:

	<u>US Bank</u>	<u>Kinetic</u>
Principal	\$ 40,025.00	\$ 269,354.97
Interest	2,715.35	63,405.43
TOTAL	<u>\$ 42,740.35</u>	<u>\$ 332,760.40</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$225,291.38 include the following provisions:

- a. The financing capital acquisition leases and note payable include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. Collateralized equipment on the financing capital acquisition leases includes the street project, the Boss Power V Snow Plow, and the 2003 Sterling L7501 Dump Truck.

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$10,544.31 include the following provisions:

- a. The financing capital acquisition leases include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. Collateralized equipment on the financing capital acquisition leases includes the Boss Power V Snow Plow.

The annual requirements to authorize all debt outstanding as of December 31, 2021, except for compensated absences are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021

Year Ending December 31,	State Revolving Loan Fund - Clean Water # 1		State Revolving Loan Fund - Drinking Water # 1		State Revolving Loan Fund - Clean Water # 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	26,500.60	1,788.04	16,331.79	1,101.93	7,485.56	2,420.44
2023	27,440.37	848.27	16,910.94	522.78	7,712.67	2,193.33
2024	7,011.30	60.86	4,321.11	36.82	7,946.67	1,959.33
2025					8,187.76	1,718.24
2026					8,436.17	1,469.83
2027-2031					43,702.00	3,351.50
2032-2036						
2037-2041						
2042-2044						
Totals	60,952.27	2,697.17	37,563.84	1,661.53	83,470.83	13,112.67

	State Revolving Loan Fund - Clean Water # 3		State Revolving Loan Fund - Drinking Water # 3		Financing (C.A.) Lease Kinetic Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	18,166.70	18,711.30	19,680.02	8,384.06	25,534.32	7,741.68
2023	18,764.34	18,113.66	20,277.09	7,786.99	26,711.97	6,564.03
2024	19,381.66	17,496.34	20,892.29	7,171.79	27,943.97	5,332.03
2025	20,019.29	16,858.71	21,526.14	6,537.94	29,232.76	4,043.24
2026	20,677.89	16,200.11	22,179.24	5,884.84	30,580.98	2,695.02
2027-2031	114,052.18	70,337.82	121,407.31	20,441.65	31,991.41	1,284.59
2032-2036	134,088.44	50,301.56	60,840.08	775.72	10,973.59	118.41
2037-2041	157,644.57	26,745.43				
2042-2044	79,703.27	3,272.93				
Totals	582,498.34	238,037.86	286,802.17	56,982.99	182,969.00	27,779.00

	Financing (C.A.) Lease US Bank - Snowplow		Note Payable First National Bank - Dump Truck		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	7,923.47	735.61	7,810.41	737.67	129,432.87	41,620.73
2023	8,275.92	383.16	8,016.98	531.10	134,110.28	36,943.32
2024	4,889.22	161.91	8,229.02	319.06	100,615.24	32,538.14
2025			7,721.67	114.02	86,687.62	29,272.15
2026					81,874.28	26,249.80
2027-2031					311,152.90	95,415.56
2032-2036					205,902.11	51,195.69
2037-2041					157,644.57	26,745.43
2042-2044					79,703.27	3,272.93
Totals	21,088.61	1,280.68	31,778.08	1,701.85	1,287,123.14	343,253.75

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. WATER PURCHASE AGREEMENT

The Municipality of Baltic entered into a twenty year agreement with Minnehaha Community Water Corporation to provide water to the Municipality. A charge is paid by the Municipality to Minnehaha Community Water Corp. of \$.00195 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's water fund. There are no minimum payments on this agreement.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020 were as follows:

Transfers From:	Transfers To:	
	Street Capital Projects Fund	Total
Major Funds:		
General Fund	\$ 25,200.00	\$ 25,200.00
Total	<u>\$ 25,200.00</u>	<u>\$ 25,200.00</u>

The Municipality typically budgets transfers to the Street Capital Projects Fund to accumulate resources for street repair, replacement, and construction.

10. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2020 and December 31, 2021, were as follows:

Purpose	Restricted By	12/31/2020	12/31/2021
Capital Projects	Law	\$ 438,412.51	\$ 532,189.77
Parks	Law	277.70	0.00
Economic Development	Law	30,010.79	37,255.61
Insurance Reserve	Statutory Requirements	24,141.00	0.00
	Governmental		
SDSR Pension	Accounting Standards	4,862.06	28,265.11
Total		<u>\$ 497,704.06</u>	<u>\$ 597,710.49</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2021, were as follows:

Fund	12/31/2021	
	Interfund Receivables	Interfund Payables
General Fund	\$ 1,310.50	
Park Fund		\$ 1,310.50

12. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has 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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2021, 2020, and 2019 were \$15,276.89, \$13,588.20, and \$13,822.08, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.53% 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 Municipality as of this measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 1,494,240.05
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,576,765.77</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (82,525.72)</u></u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(82,525.72) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.01077600%, which is an increase (decrease) of 0.0035874% from its proportion measured as of June 30, 2020.

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 Municipality as of this measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Proportionate share of pension liability	\$ 883,694.26
Less proportionate share of net pension restricted for pension benefits	<u>\$ 884,006.46</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (312.20)</u></u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(312.20) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00718860%, which is an increase (decrease) of (0.0028383)% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of (\$23,403.05). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 2,962.89	\$ 216.36
Changes in assumption.	\$ 94,903.73	\$ 41,327.68
Net difference between projected and actual earnings on pension plan investments.		\$ 117,889.64
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 3,184.13	\$ 3,511.11
Municipality contributions subsequent to the measurement date.	<u>\$ 7,633.42</u>	
TOTAL	<u><u>\$ 108,684.17</u></u>	<u><u>\$ 162,944.79</u></u>

\$7,633.42 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2022	\$ (16,252.06)
2023	(10,067.41)
2024	(2,416.31)
2025	<u>(33,158.26)</u>
TOTAL	<u><u>\$ (61,894.04)</u></u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of expense) of \$14,174.66. At December 31, 2020 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 1,194.33	\$ 244.57
Changes in assumption.	\$ 10,056.20	\$ 40,557.18
Net difference between projected and actual earnings on pension plan investments.	\$ 29,017.41	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 4,552.45	\$ 5,949.37
Municipality contributions subsequent to the measurement date.	\$ 6,480.59	
TOTAL	\$ 51,300.98	\$ 46,751.12

\$6,480.59 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2021	\$ (4,589.02)
2022	(3,890.04)
2023	688.91
2024	5,859.42
TOTAL	\$ (1,930.73)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
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. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The total pension liability (asset) 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 percent
Salary Increases	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, projected generationally with Scale MP-2016, white collar rates for female 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.

The actuarial assumptions used in the June 30, 2021 valuations were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

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 using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

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

<u>2021</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$133,629.67	\$(82,525.72)	\$(257,993.57)
<u>2020</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$121,112.71	\$(312.20)	\$(99,635.38)

Pension Plan Fiduciary Net Position:

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

13. SIGNIFICANT CONTINGENCIES - LITIGATION

The Municipality of Baltic was involved in litigation during the audit period. There were four lawsuits against the Municipality that all dealt with water service issues in a new development. As of April 26, 2023, correspondence from the City Attorney indicated that all four lawsuits have or will be dismissed against the Municipality of Baltic.

14. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2021 and 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

As of December 31, 2021 and 2020, there are no employees on the Municipality's health insurance.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liability Insurance:

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

In 2021, the Municipality reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and in the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

The Municipality carries a \$250 deductible for all coverage except the errors and omissions which has a \$500 deductible.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage during the past three years.

Workmen's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality'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 Municipality 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 Municipality 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Unemployment Benefits:

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

15. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through February 1, 2023, the date on which the financial statements were available to be issued. On June 14, 2022 the board approved a resolution to issue a \$1,206,339 Drinking Water SRF Loan and a \$1.167.839 Clean Water SRF Loan.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIMORE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	239,298.00	239,298.00	236,041.13	(3,256.87)
General Sales and Use Taxes	182,000.00	182,000.00	220,106.02	38,106.02
Penalties and Interest on Delinquent Taxes	200.00	200.00	231.87	31.87
Licenses and Permits	14,450.00	14,450.00	27,459.12	13,009.12
Intergovernmental Revenue:				
State Grants	1,100.00	1,100.00	0.00	(1,100.00)
State Shared Revenue:				
Bank Franchise Tax	7,000.00	7,000.00	10,117.14	3,117.14
Prorate License Fees	990.00	990.00	1,128.13	138.13
Liquor Tax Reversion	7,800.00	7,800.00	8,280.53	480.53
Motor Vehicle Licenses	9,800.00	9,800.00	11,184.82	1,384.82
Local Government Highway and Bridge Fund	13,000.00	13,000.00	13,404.83	404.83
County Shared Revenue:				
County Wheel Tax	1,800.00	1,800.00	2,037.98	237.98
Charges for Goods and Services:				
General Government	150.00	150.00	150.00	0.00
Sanitation	125,800.00	125,800.00	131,768.39	5,968.39
Health	6,100.00	6,100.00	2,832.50	(3,267.50)
Culture and Recreation	24,000.00	24,000.00	5,232.37	(18,767.63)
Fines and Forfeits:				
Court Fines and Costs	200.00	200.00	200.00	0.00
Animal Control Fines	300.00	300.00	0.00	(300.00)
Miscellaneous Revenue:				
Investment Earnings	600.00	600.00	3.64	(596.36)
Rentals	24,619.00	24,619.00	23,100.00	(1,519.00)
Contributions and Donations from Private Sources	500.00	500.00	200.00	(300.00)
Liquor Operating Agreement Income	1,200.00	1,200.00	2,000.00	800.00
Other	33,720.00	33,720.00	13,565.93	(20,154.07)
Total Revenue	694,627.00	694,627.00	709,044.40	14,417.40
Expenditures:				
General Government:				
Legislative	58,520.00	58,520.00	80,796.75	(22,276.75)
Elections	1,460.00	1,460.00	1,302.75	157.25
Financial Administration	76,690.00	76,690.00	55,119.51	21,570.49
Other	20,400.00	50,400.00	62,634.85	(12,234.85)
Total General Government	157,070.00	187,070.00	199,853.86	(12,783.86)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	66,550.00	66,550.00	66,339.00	211.00
Fire	16,000.00	16,000.00	16,000.00	0.00
Other Protection	30,311.00	30,311.00	31,673.02	(1,362.02)
Total Public Safety	112,861.00	112,861.00	114,012.02	(1,151.02)
Public Works:				
Highways and Streets	100,158.00	100,158.00	105,713.20	(5,555.20)
Sanitation	86,431.00	86,431.00	82,006.76	4,424.24
Total Public Works	186,589.00	186,589.00	187,719.96	(1,130.96)
Health and Welfare:				
Health	11,159.00	11,159.00	9,972.13	1,186.87
Humane Society	1,500.00	1,500.00	1,430.21	69.79
Ambulance	5,000.00	5,000.00	5,000.00	0.00
Total Health and Welfare	17,659.00	17,659.00	16,402.34	1,256.66
Culture and Recreation:				
Parks	109,439.00	129,439.00	141,436.35	(11,997.35)
Libraries	3,050.00	3,050.00	2,777.64	272.36
Total Culture and Recreation	112,489.00	132,489.00	144,213.99	(11,724.99)
Conservation and Development:				
Economic Development and Assistance	49,801.00	49,801.00	45,599.17	4,201.83
Total Conservation and Development	49,801.00	49,801.00	45,599.17	4,201.83
Debt Service	37,605.00	38,567.08	47,973.74	(9,406.66)
Miscellaneous:				
Liquor Operating Agreements	350.00	350.00	300.00	50.00
Total Miscellaneous	350.00	350.00	300.00	50.00
Total Expenditures	674,424.00	725,386.08	756,075.08	(30,689.00)
Excess of Revenue Over (Under) Expenditures	20,203.00	(30,759.08)	(47,030.68)	(16,271.60)
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	78.30	78.30
Compensation for Loss or Damage to Capital Assets	0.00	0.00	2,106.49	2,106.49
Total Other Financing Sources (Uses)	0.00	0.00	2,184.79	2,184.79
Net Change in Fund Balances	20,203.00	(30,759.08)	(44,845.89)	(14,086.81)
Changes in Accounting Estimates (See Note 14)	0.00	0.00	(24,141.00)	(24,141.00)
Fund Balance - Beginning	294,841.32	294,841.32	294,841.32	0.00
FUND BALANCE - ENDING	315,044.32	264,082.24	225,854.43	(38,227.81)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK FUND

For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	10.00	10.00	0.00	(10.00)
Contributions and Donations from Private Sources	2,500.00	2,500.00	0.00	(2,500.00)
Total Revenue	2,510.00	2,510.00	0.00	(2,510.00)
Expenditures:				
Culture and Recreation:				
Parks	2,510.00	2,510.00	1,588.20	921.80
Total Culture and Recreation	2,510.00	2,510.00	1,588.20	921.80
Total Expenditures	2,510.00	2,510.00	1,588.20	921.80
Net Change in Fund Balances	0.00	0.00	(1,588.20)	(1,588.20)
Fund Balance - Beginning	277.70	277.70	277.70	0.00
FUND BALANCE - ENDING	277.70	277.70	(1,310.50)	(1,588.20)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY SALES TAX FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Tax	6,200.00	6,200.00	7,244.82	1,044.82
Miscellaneous Revenue:				
Investment Earnings	400.00	400.00	0.00	(400.00)
Total Revenue	6,600.00	6,600.00	7,244.82	644.82
Expenditures:				
Conservation and Development:				
Economic Development and Assistance	6,600.00	6,600.00	0.00	6,600.00
Total Conservation and Development	6,600.00	6,600.00	0.00	6,600.00
Total Expenditures	6,600.00	6,600.00	0.00	6,600.00
Net Change in Fund Balances	0.00	0.00	7,244.82	7,244.82
Fund Balance - Beginning	30,010.79	30,010.79	30,010.79	0.00
FUND BALANCE - ENDING	30,010.79	30,010.79	37,255.61	7,244.82

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	58.73	58.73
Maintenance Assessments	41,000.00	41,000.00	48,833.01	7,833.01
Total Revenue	41,000.00	41,000.00	48,891.74	7,891.74
Expenditures:				
Public Works:				
Highways and Streets	41,000.00	41,000.00	28,310.73	12,689.27
Total Public Works	41,000.00	41,000.00	28,310.73	12,689.27
Total Expenditures	41,000.00	41,000.00	28,310.73	12,689.27
Net Change in Fund Balances	0.00	0.00	20,581.01	20,581.01
Fund Balance - Beginning	31,816.03	31,816.03	31,816.03	0.00
FUND BALANCE - ENDING	31,816.03	31,816.03	52,397.04	20,581.01

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	226,726.00	226,726.00	229,818.73	3,092.73
General Sales and Use Taxes	130,000.00	130,000.00	170,061.63	40,061.63
Amusement Taxes	0.00	0.00	12.00	12.00
Penalties and Interest on Delinquent Taxes	200.00	200.00	919.95	719.95
Licenses and Permits	14,450.00	14,450.00	18,594.45	4,144.45
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	159,350.35	159,350.35
State Grants	1,100.00	1,100.00	1,046.00	(54.00)
State Shared Revenue:				
Bank Franchise Tax	5,700.00	5,700.00	9,405.91	3,705.91
Prorate License Fees	1,200.00	1,200.00	400.42	(799.58)
Liquor Tax Reversion	6,500.00	6,500.00	7,537.79	1,037.79
Motor Vehicle Licenses	9,500.00	9,500.00	10,454.50	954.50
Local Government Highway and Bridge Fund	11,500.00	11,500.00	12,865.11	1,365.11
County Shared Revenue:				
County Wheel Tax	1,900.00	1,900.00	1,906.93	6.93
Charges for Goods and Services:				
General Government	150.00	150.00	0.00	(150.00)
Public Safety	6,100.00	6,100.00	6,059.30	(40.70)
Sanitation	131,000.00	131,000.00	109,865.14	(21,134.86)
Culture and Recreation	18,950.00	18,950.00	8,846.10	(10,103.90)
Other	2,400.00	2,400.00	0.00	(2,400.00)
Fines and Forfeits:				
Court Fines and Costs	200.00	200.00	0.00	(200.00)
Animal Control Fines	300.00	300.00	0.00	(300.00)
Miscellaneous Revenue:				
Investment Earnings	400.00	400.00	112.85	(287.15)
Rentals	23,931.00	23,931.00	50,020.44	26,089.44
Contributions and Donations from Private Sources	500.00	500.00	475.64	(24.36)
Liquor Operating Agreement Income	1,200.00	1,200.00	1,800.00	600.00
Other	31,700.00	31,700.00	20,126.06	(11,573.94)
Total Revenue	625,607.00	625,607.00	819,679.30	194,072.30
Expenditures:				
General Government:				
Legislative	77,734.00	77,734.00	71,322.76	6,411.24
Elections	1,460.00	1,460.00	0.00	1,460.00
Financial Administration	73,864.00	73,864.00	74,286.23	(422.23)
Other	18,000.00	18,000.00	17,458.31	541.69
Total General Government	171,058.00	171,058.00	163,067.30	7,990.70

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	64,610.00	64,610.00	64,610.00	0.00
Fire	16,000.00	75,000.00	75,089.82	(89.82)
Other Protection	33,401.00	33,401.00	27,649.70	5,751.30
Total Public Safety	114,011.00	173,011.00	167,349.52	5,661.48
Public Works:				
Highways and Streets	85,758.00	125,758.00	120,313.50	5,444.50
Sanitation	85,981.00	85,981.00	85,859.58	121.42
Total Public Works	171,739.00	211,739.00	206,173.08	5,565.92
Health and Welfare:				
Health	6,062.00	6,062.00	2,393.06	3,668.94
Humane Society	1,500.00	1,500.00	1,233.60	266.40
Ambulance	5,000.00	5,000.00	5,000.00	0.00
Total Health and Welfare	12,562.00	12,562.00	8,626.66	3,935.34
Culture and Recreation:				
Parks	92,691.00	93,511.00	92,754.90	756.10
Libraries	3,050.00	3,050.00	1,667.01	1,382.99
Total Culture and Recreation	95,741.00	96,561.00	94,421.91	2,139.09
Conservation and Development:				
Economic Development and Assistance	48,419.00	48,419.00	42,894.79	5,524.21
Total Conservation and Development	48,419.00	48,419.00	42,894.79	5,524.21
Debt Service	41,950.00	42,649.00	38,317.88	4,331.12
Miscellaneous:				
Liquor Operating Agreements	300.00	300.00	300.00	0.00
Total Miscellaneous	300.00	300.00	300.00	0.00
Total Expenditures	655,780.00	756,299.00	721,151.14	35,147.86
Excess of Revenue Over (Under)				
Expenditures	(30,173.00)	(130,692.00)	98,528.16	229,220.16
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	210.00	210.00
Long-Term Debt Issued	0.00	0.00	40,025.00	(40,025.00)
Transfers Out	(25,200.00)	(25,200.00)	(25,200.00)	0.00
Total Other Financing Sources (Uses)	(25,200.00)	(25,200.00)	15,035.00	(39,815.00)
Net Change in Fund Balances	(55,373.00)	(155,892.00)	113,563.16	189,405.16
Fund Balance - Beginning	181,278.16	181,278.16	181,278.16	0.00
FUND BALANCE - ENDING	125,905.16	25,386.16	294,841.32	189,405.16

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PARK FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	0.91	0.91
Contributions and Donations from Private Sources	2,500.00	2,500.00	0.00	(2,500.00)
Total Revenue	2,500.00	2,500.00	0.91	(2,499.09)
Expenditures:				
Culture and Recreation:				
Parks	2,500.00	2,500.00	0.00	2,500.00
Total Culture and Recreation	2,500.00	2,500.00	0.00	2,500.00
Total Expenditures	2,500.00	2,500.00	0.00	2,500.00
Net Change in Fund Balances	0.00	0.00	0.91	0.91
Fund Balance - Beginning	276.79	276.79	276.79	0.00
FUND BALANCE - ENDING	276.79	276.79	277.70	0.91

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY SALES TAX FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Tax	6,200.00	6,200.00	7,043.12	843.12
Miscellaneous Revenue:				
Investment Earnings	400.00	400.00	39.04	(360.96)
Total Revenue	6,600.00	6,600.00	7,082.16	482.16
Expenditures:				
Conservation and Development:				
Economic Development and Assistance	6,600.00	6,600.00	950.00	5,650.00
Total Conservation and Development	6,600.00	6,600.00	950.00	5,650.00
Total Expenditures	6,600.00	6,600.00	950.00	5,650.00
Net Change in Fund Balances	0.00	0.00	6,132.16	6,132.16
Fund Balance - Beginning	23,878.63	23,878.63	23,878.63	0.00
FUND BALANCE - ENDING	23,878.63	23,878.63	30,010.79	6,132.16

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BALTIC
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	40,000.00	40,000.00	40,021.09	21.09
Total Revenue	40,000.00	40,000.00	40,021.09	21.09
Expenditures:				
Public Works:				
Highways and Streets	40,000.00	42,030.00	42,028.62	1.38
Total Public Works	40,000.00	42,030.00	42,028.62	1.38
Total Expenditures	40,000.00	42,030.00	42,028.62	1.38
Net Change in Fund Balances	0.00	(2,030.00)	(2,007.53)	22.47
Fund Balance - Beginning	33,823.56	33,823.56	33,823.56	0.00
FUND BALANCE - ENDING	33,823.56	31,793.56	31,816.03	22.47

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. 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 number 4.
3. 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.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds, and capital projects funds.

The Municipality did not encumber any amounts at either December 31, 2020, or December 31, 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Seven Years *

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.0107760%	0.0071886%	0.0100269%	0.0078888%	0.0000790%	0.0082139%	0.0078052%
Municipality's proportionate share of net pension liability (asset)	\$ (82,526)	\$ (312)	\$ (1,063)	\$ (184)	\$ (717)	\$ 27,746	\$ (33,104)
Municipality's covered-employee payroll	\$ 235,399	\$ 233,644	\$ 209,360	\$ 164,002	\$ 159,109	\$ 152,371	\$ 149,158
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.06%	0.13%	0.51%	0.11%	0.45%	18.21%	22.19%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Seven Years *

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 15,277	\$ 13,588	\$ 13,822	\$ 10,564	\$ 9,833	\$ 9,276	\$ 9,013
Contributions in relation to the contractually required contribution	\$ 15,277	\$ 13,588	\$ 13,822	\$ 10,564	\$ 9,833	\$ 9,276	\$ 9,013
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 254,612	\$ 226,471	\$ 230,368	\$ 176,058	\$ 163,882	\$ 154,604	\$ 150,214
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

**Notes to Required Supplementary Information
for the Year Ended December 31, 2021**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2021 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 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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 FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% 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.