

**MUNICIPALITY OF BALTIC  
BALTIC, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022  
AND  
FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF BALTIC

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2023

MAYOR:

Deborah Mcisaac

GOVERNING BOARD:

Nikki Dien, President  
Ryan Sinding, Vice-President  
Brian McGreevy  
Travis Schreurs

FINANCE OFFICER:

Lacey Branham

ATTORNEY:

John Hughes

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

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 modified cash basis of accounting financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Baltic, South Dakota, as of December 31, 2023 and December 31, 2022, 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 and have issued our report thereon dated August 14, 2025, which was adverse because we were unable to determine the accuracy of cash balances and the improper reporting and cutoff of revenues.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 2023-001 and 2023-002 to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2023-003 and 2023-004.

#### 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. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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  
August 14, 2025

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2021-001:

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 2023-001.

Finding Number 2021-002:

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 comment has not been corrected and a similar comment is restated as current audit finding number 2023-002.

Finding Number 2021-003:

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 comment has not been corrected and a similar comment is restated as current audit finding number 2023-004.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2023-001: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. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

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. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

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 develop policies and provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:

The Municipality of Baltic Governing Board is 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. The Municipality is aware of this problem and are attempting to develop policies and to provide compensating internal controls.

Finding Number 2023-002: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 has been a continuing audit comment since 2021.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Criteria:

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

Cause of 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.

- a. Significant errors and omissions were noted in the annual financial statements. The financial statements in this report have been adjusted to account for some errors and omissions, but there was a material cash discrepancy that we were unable to determine the cause and was not adjusted.
- b. Based on testing of revenue and cash, it appears cutoff was not proper as several receipts were posted to the wrong period, incorrectly coded, or not recorded properly.
- c. Bank reconciliations were not completed timely or properly resulting in incorrect cash amounts reported on the financial statements.
- d. Accurate monthly financial reports were not provided to the governing board.

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."

Potential Effect of Condition:

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.

Client's Response:

The Municipality of Baltic Governing Board is responsible for the corrective action plan for this comment. The Municipality will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Compliance – Related Findings:

Finding Number 2023-003:

Condition:

The Municipality of Baltic purchased a Bobcat track loader without advertising for competitive bids as required by SDCL 5-18A-14. This is the first consecutive audit in which a similar deficiency has been reported.

Criteria:

SDCL 5-18A-14 states in part, "a contract for the purchase of supplies or services, other than professional services, that involves the expenditures of twenty thousand dollars or more, the purchasing agency shall advertise for bids or proposals." Also SDCL 5-18A-22(19) states in part, "For political subdivisions, any purchase of equipment involving the expenditure of less than fifty thousand dollars."

Even though only one bid is expected, advertisement for bids is still required. There is always a possibility an unknown bidder may be interested in the contract. (AGR 1967-68, p 303)

Cause of Condition:

We examined several instances which required bidding and found that the above mentioned instance was improper. The Municipality entered into a contract with Bobcat of Brookings for \$75,779.15 without evidence of receiving competitive bids.

Potential Effect of Condition:

The lack of bidding in this instance may have caused the entity to pay more for the equipment than it would have had competitive bids been obtained.

Recommendation:

4. We recommend that all expenditures for equipment over \$50,000 be bid as required by law.

Client's Response:

The Municipality of Baltic Governing Board is responsible for the corrective action plan for this comment. The Municipality will monitor all anticipated expenditures which may exceed the bid limit and advertise for bids if it is probable that the expenditure may exceed the bid limit.

Finding Number 2023-004:

Condition:

Expenditures were excess of the amounts budgeted in five departments in the General Fund in 2023. Also, the municipality budgeted to spend more than was available in the Park Fund in 2022 and the General Fund in 2023. 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

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

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 of Condition:

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

Potential Effect of Condition:

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

Recommendation:

5. 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.

Client's Response:

The Municipality of Baltic Governing Board is responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the municipal officials during the course of the audit.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Baltic  
Baltic, South Dakota

### Adverse Opinion

We have audited the accompanying modified cash basis of accounting 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, 2023, and December 31, 2022 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 modified cash basis of accounting financial statements referred to above do not present fairly the financial position of the Municipality of Baltic as of December 31, 2023 and December 31, 2022, and the respective changes in financial position, thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### Basis for Adverse Opinion on the Financial Statements as a Whole

The Cash 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, improper reporting and improper cutoff affect the proper reporting of revenue.

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.

### Emphasis of Matter

As discussed in Note 1.c. of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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'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's ability to continue as a going concern for a reasonable period of time.

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-Term Liabilities listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

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with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-Term Liabilities are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### 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 August 14, 2025 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts 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 effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 14, 2025

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**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION - Modified Cash Basis**  
**December 31, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,080,174.58	301,678.88	1,381,853.46
<b>TOTAL ASSETS</b>	<b>1,080,174.58</b>	<b>301,678.88</b>	<b>1,381,853.46</b>
<b>NET POSITION:</b>			
Restricted for:			
Capital Projects Purposes	621,611.39		621,611.39
Economic Development Purposes	50,758.79		50,758.79
Unrestricted	407,804.40	301,678.88	709,483.28
<b>TOTAL NET POSITION</b>	<b>1,080,174.58</b>	<b>301,678.88</b>	<b>1,381,853.46</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF ACTIVITIES - Modified Cash Basis**  
**For the Year Ended December 31, 2023**

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
<b>Primary Government:</b>						
Governmental Activities:						
General Government	337,001.63	156,004.05			(180,997.58)	(180,997.58)
Public Safety	113,216.07	6,298.53	828.00		(106,089.54)	(106,089.54)
Public Works	402,057.89	166,064.74	29,530.27	52,173.05	(154,289.83)	(154,289.83)
Health and Welfare	4,519.44				(4,519.44)	(4,519.44)
Culture and Recreation	124,748.45	5,977.00			(118,771.45)	(118,771.45)
Conservation and Development	18,938.95				(18,938.95)	(18,938.95)
Long-Term Debt Payments	41,824.08				(41,824.08)	(41,824.08)
<b>Total Governmental Activities</b>	<b>1,042,306.51</b>	<b>334,344.32</b>	<b>30,358.27</b>	<b>52,173.05</b>	<b>(625,430.87)</b>	<b>(625,430.87)</b>
<b>Business-type Activities:</b>						
Water	446,783.92	335,732.51				(111,051.41)
Sewer	375,806.78	263,789.70				(112,017.08)
<b>Total Business-type Activities</b>	<b>822,590.70</b>	<b>599,522.21</b>	<b>0.00</b>	<b>0.00</b>	<b>(223,068.49)</b>	<b>(223,068.49)</b>
<b>Total Primary Government</b>	<b>1,864,897.21</b>	<b>933,866.53</b>	<b>30,358.27</b>	<b>52,173.05</b>	<b>(625,430.87)</b>	<b>(848,499.36)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes					269,551.73	269,551.73
Sales Taxes					408,721.23	408,721.23
State Shared Revenues					19,740.24	19,740.24
Grants and Contributions not Restricted to Specific Programs					7,821.28	7,821.28
Unrestricted Investment Earnings					16,016.11	16,016.11
Miscellaneous Revenue					126,211.87	126,211.87
<b>Total General Revenues and Extraordinary Items</b>					<b>848,062.46</b>	<b>860,819.28</b>
Change in Net Position					222,631.59	(210,311.67)
Net Position - Beginning					857,542.99	511,990.55
<b>NET POSITION - ENDING</b>					<b>1,080,174.58</b>	<b>1,381,853.46</b>

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



**MUNICIPALITY OF BAL TIC**  
**BALANCE SHEET - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**December 31, 2023**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	407,804.40		50,758.79	54,899.80	433,530.58	133,181.01	1,080,174.58
Due from Park Fund	1,325.48						1,325.48
<b>TOTAL ASSETS</b>	<b>409,129.88</b>	<b>0.00</b>	<b>50,758.79</b>	<b>54,899.80</b>	<b>433,530.58</b>	<b>133,181.01</b>	<b>1,081,500.06</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Due to General Fund		1,325.48					1,325.48
<b>Total Liabilities</b>	<b>0.00</b>	<b>1,325.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,325.48</b>
Fund Balances:							
Restricted for Economic Development			50,758.79				50,758.79
Restricted for Capital Projects				54,899.80	433,530.58	133,181.01	621,611.39
Unassigned	409,129.88	(1,325.48)					407,804.40
<b>Total Fund Balances</b>	<b>409,129.88</b>	<b>(1,325.48)</b>	<b>50,758.79</b>	<b>54,899.80</b>	<b>433,530.58</b>	<b>133,181.01</b>	<b>1,080,174.58</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>409,129.88</b>	<b>0.00</b>	<b>50,758.79</b>	<b>54,899.80</b>	<b>433,530.58</b>	<b>133,181.01</b>	<b>1,081,500.06</b>

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2023**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>							
<b>Taxes:</b>							
General Property Taxes	269,538.57						269,538.57
General Sales and Use Taxes	400,321.65		8,399.58				408,721.23
Penalties and Interest on Delinquent Taxes	13.16						13.16
Licenses and Permits	106,369.05						106,369.05
Intergovernmental Revenue:							
State Grants	828.00						828.00
State Shared Revenue:							
Bank Franchise Tax	11,175.60						11,175.60
Prorate License Fees	1,272.11						1,272.11
Liquor Tax Reversion	8,564.64						8,564.64
Motor Vehicle Licenses	12,143.69						12,143.69
Local Government Highway and Bridge Fund	13,893.88						13,893.88
County Shared Revenue:							
County Wheel Tax	2,220.59						2,220.59
Charges for Goods and Services:							
General Government	225.00						225.00
Public Safety	6,298.53						6,298.53
Sanitation	166,064.74						166,064.74
Culture and Recreation	5,977.00						5,977.00
Miscellaneous Revenue:							
Investment Earnings	1,674.42	13.67	572.81		9,104.69	4,650.52	16,016.11
Rentals	49,410.00						49,410.00
Maintenance Assessments				52,173.05			52,173.05
Contributions and Donations from Private Sources	6,859.35		961.93				7,821.28
Other	11,043.37						11,043.37
<b>Total Revenue</b>	<b>1,073,893.35</b>	<b>13.67</b>	<b>9,934.32</b>	<b>52,173.05</b>	<b>9,104.69</b>	<b>4,650.52</b>	<b>1,149,769.60</b>

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2023**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures:</b>							
General Government:							
Legislative	187,264.16						187,264.16
Elections	7,315.84						7,315.84
Financial Administration	89,876.51						89,876.51
Other	15,578.12				36,967.00		52,545.12
Total General Government	300,034.63	0.00	0.00	0.00	36,967.00	0.00	337,001.63
Public Safety:							
Police	72,709.00						72,709.00
Fire	20,000.00						20,000.00
Protective Inspection	10,334.63						10,334.63
Other Protection	10,172.44						10,172.44
Total Public Safety	113,216.07	0.00	0.00	0.00	0.00	0.00	113,216.07
Public Works:							
Highways and Streets	222,577.84			48,823.76			271,401.60
Sanitation	130,656.29						130,656.29
Total Public Works	353,234.13	0.00	0.00	48,823.76	0.00	0.00	402,057.89
Health and Welfare:							
Health	4,519.44						4,519.44
Total Health and Welfare	4,519.44	0.00	0.00	0.00	0.00	0.00	4,519.44
Culture and Recreation:							
Parks	121,528.36	32.10				868.00	122,428.46
Libraries	2,319.99						2,319.99
Total Culture and Recreation	123,848.35	32.10	0.00	0.00	0.00	868.00	124,748.45
Conservation and Development:							
Economic Development and Assistance	12,309.33		6,629.62				18,938.95
Total Conservation and Development	12,309.33	0.00	6,629.62	0.00	0.00	0.00	18,938.95

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2023**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>							
Debt Service	41,824.08	0.00	0.00	0.00	0.00	0.00	41,824.08
Total Expenditures	948,986.03	32.10	6,629.62	48,823.76	36,967.00	868.00	1,042,306.51
Excess of Revenue Over (Under) Expenditures	124,907.32	(18.43)	3,304.70	3,349.29	(27,862.31)	3,782.52	107,463.09
<b>Other Financing Sources (Uses):</b>							
Sale of Municipal Property	115,168.50						115,168.50
Total Other Financing Sources (Uses)	115,168.50	0.00	0.00	0.00	0.00	0.00	115,168.50
Net Change in Fund Balances	240,075.82	(18.43)	3,304.70	3,349.29	(27,862.31)	3,782.52	222,631.59
Fund Balance - Beginning	169,054.06	(1,307.05)	47,454.09	51,550.51	461,392.89	129,398.49	857,542.99
<b>FUND BALANCE - ENDING</b>	<b>409,129.88</b>	<b>(1,325.48)</b>	<b>50,758.79</b>	<b>54,899.80</b>	<b>433,530.58</b>	<b>133,181.01</b>	<b>1,080,174.58</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION - Modified Cash Basis**  
**PROPRIETARY FUNDS**  
**December 31, 2023**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	242,628.17	59,050.71	301,678.88
Total Current Assets	242,628.17	59,050.71	301,678.88
<b>TOTAL ASSETS</b>	242,628.17	59,050.71	301,678.88
<b>NET POSITION:</b>			
Unrestricted Net Position	242,628.17	59,050.71	301,678.88
<b>TOTAL NET POSITION</b>	242,628.17	59,050.71	301,678.88

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 - Modified Cash Basis**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2023**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	314,569.48	243,692.31	558,261.79
Revenue Dedicated to Servicing Debt	21,163.03	19,997.39	41,160.42
Miscellaneous		100.00	100.00
Total Operating Revenue	335,732.51	263,789.70	599,522.21
<b>Operating Expenses:</b>			
Personal Services	100,290.77	100,289.05	200,579.82
Other Current Expense	281,835.78	200,445.09	482,280.87
Materials (Cost of Goods Sold)	19,159.57		19,159.57
Total Operating Expenses	401,286.12	300,734.14	702,020.26
Operating Income (Loss)	(65,553.61)	(36,944.44)	(102,498.05)
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	9,379.87	3,376.95	12,756.82
Debt Service Principal Expense	(39,425.40)	(57,667.50)	(97,092.90)
Debt Service Interest Expense	(6,072.40)	(17,405.14)	(23,477.54)
Total Nonoperating Revenue (Expense)	(36,117.93)	(71,695.69)	(107,813.62)
Change in Net Position	(101,671.54)	(108,640.13)	(210,311.67)
Net Position - Beginning	344,299.71	167,690.84	511,990.55
NET POSITION - ENDING	242,628.17	59,050.71	301,678.88

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION - Modified Cash Basis**  
**December 31, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	857,542.99	511,990.55	1,369,533.54
<b>TOTAL ASSETS</b>	<b>857,542.99</b>	<b>511,990.55</b>	<b>1,369,533.54</b>
<b>NET POSITION:</b>			
Restricted for:			
Capital Projects Purposes	642,341.89		642,341.89
Economic Development Purposes	47,454.09		47,454.09
Unrestricted (Deficit)	167,747.01	511,990.55	679,737.56
<b>TOTAL NET POSITION</b>	<b>857,542.99</b>	<b>511,990.55</b>	<b>1,369,533.54</b>

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

**MUNICIPALITY OF BAL TIC**  
**STATEMENT OF ACTIVITIES - Modified Cash Basis**  
**For the Year Ended December 31, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<div> <div>Governmental Activities</div> <div>Primary Government Business-Type Activities</div> <div>Total</div> </div>
<b>Primary Government:</b>					
Governmental Activities:					
General Government	212,596.46	115,719.42			(96,877.04)
Public Safety	109,340.56	4,923.17			(104,417.39)
Public Works	339,278.34	131,221.03	27,783.18	47,987.51	(132,286.62)
Health and Welfare	8,034.46				(8,034.46)
Culture and Recreation	141,403.30	6,625.13			(134,778.17)
Conservation and Development	69,330.16				(69,330.16)
Long-Term Debt Payments	43,420.80				(43,420.80)
<b>Total Governmental Activities</b>	<b>923,404.08</b>	<b>258,488.75</b>	<b>27,783.18</b>	<b>47,987.51</b>	<b>(589,144.64)</b>
Business-type Activities:					
Water	296,617.72	256,983.98		53,853.82	14,220.08
Sewer	292,881.27	219,005.18		53,853.82	(20,022.27)
<b>Total Business-type Activities</b>	<b>589,498.99</b>	<b>475,989.16</b>	<b>0.00</b>	<b>107,707.64</b>	<b>(5,802.19)</b>
<b>Total Primary Government</b>	<b>1,512,903.07</b>	<b>734,477.91</b>	<b>27,783.18</b>	<b>155,695.15</b>	<b>(594,946.83)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes					246,248.40
Sales Taxes					355,551.07
State Shared Revenues					18,424.26
Grants and Contributions not Restricted to Specific Programs					250.00
Unrestricted Investment Earnings					4,177.31
Miscellaneous Revenue					33,186.19
<b>Total General Revenues and Extraordinary Items</b>					<b>661,167.76</b>
Change in Net Position					66,220.93
Net Position - Beginning					5,155,511.98
Restatements:					
Adjust to Modified Cash Basis of Accounting (See Note 11.)					(3,852,199.37)
Restated Net Position-Beginning					1,303,312.61
<b>NET POSITION - ENDING</b>					<b>1,369,533.54</b>

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



**MUNICIPALITY OF BALTIMORE**  
**BALANCE SHEET - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**December 31, 2022**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	167,747.01		47,454.09	51,550.51	461,392.89	129,398.49	857,542.99
Due from Park Fund	1,307.05						1,307.05
<b>TOTAL ASSETS</b>	<b>169,054.06</b>	<b>0.00</b>	<b>47,454.09</b>	<b>51,550.51</b>	<b>461,392.89</b>	<b>129,398.49</b>	<b>858,850.04</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Due to General Fund		1,307.05					1,307.05
<b>Total Liabilities</b>	<b>0.00</b>	<b>1,307.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,307.05</b>
Fund Balances:							
Restricted for Economic Development			47,454.09				47,454.09
Restricted for Capital Projects				51,550.51	461,392.89	129,398.49	642,341.89
Unassigned	169,054.06	(1,307.05)					167,747.01
<b>Total Fund Balances</b>	<b>169,054.06</b>	<b>(1,307.05)</b>	<b>47,454.09</b>	<b>51,550.51</b>	<b>461,392.89</b>	<b>129,398.49</b>	<b>857,542.99</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>169,054.06</b>	<b>0.00</b>	<b>47,454.09</b>	<b>51,550.51</b>	<b>461,392.89</b>	<b>129,398.49</b>	<b>858,850.04</b>

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>							
<b>Taxes:</b>							
General Property Taxes	245,935.95						245,935.95
General Sales and Use Taxes	265,659.56		9,579.81		80,311.70		355,551.07
Penalties and Interest on Delinquent Taxes	312.45						312.45
Licenses and Permits	62,688.92						62,688.92
<b>Intergovernmental Revenue:</b>							
State Shared Revenue:							
Bank Franchise Tax	9,693.26						9,693.26
Prorate License Fees	1,152.25						1,152.25
Liquor Tax Reversion	8,731.00						8,731.00
Motor Vehicle Licenses	11,673.40						11,673.40
Local Government Highway and Bridge Fund	13,512.24						13,512.24
County Shared Revenue:							
County Wheel Tax	1,445.29						1,445.29
<b>Charges for Goods and Services:</b>							
Public Safety	4,748.17						4,748.17
Sanitation	131,221.03						131,221.03
Culture and Recreation	6,625.13						6,625.13
<b>Fines and Forfeits:</b>							
Court Fines and Costs	175.00						175.00
<b>Miscellaneous Revenue:</b>							
Investment Earnings	432.97	3.45	149.17		2,377.10	1,214.62	4,177.31
Rentals	53,030.50						53,030.50
Maintenance Assessments				47,987.51			47,987.51
Contributions and Donations from Private Sources	250.00						250.00
Other	28,229.14		475.00			607.00	29,311.14
<b>Total Revenue</b>	<b>845,516.26</b>	<b>3.45</b>	<b>10,203.98</b>	<b>47,987.51</b>	<b>82,688.80</b>	<b>1,821.62</b>	<b>988,221.62</b>

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures:</b>							
General Government:							
Legislative	117,975.13						117,975.13
Elections	1,587.75						1,587.75
Financial Administration	68,720.12						68,720.12
Other	24,313.46						24,313.46
Total General Government	212,596.46	0.00	0.00	0.00	0.00	0.00	212,596.46
Public Safety:							
Police	67,249.00						67,249.00
Fire	20,000.00						20,000.00
Protective Inspection	16,640.33						16,640.33
Other Protection	5,451.23						5,451.23
Total Public Safety	109,340.56	0.00	0.00	0.00	0.00	0.00	109,340.56
Public Works:							
Highways and Streets	178,356.38			48,834.04			227,190.42
Sanitation	112,087.92						112,087.92
Total Public Works	290,444.30	0.00	0.00	48,834.04	0.00	0.00	339,278.34
Health and Welfare:							
Health	8,034.46						8,034.46
Total Health and Welfare	8,034.46	0.00	0.00	0.00	0.00	0.00	8,034.46
Culture and Recreation:							
Parks	139,468.00						139,468.00
Libraries	1,935.30						1,935.30
Total Culture and Recreation	141,403.30	0.00	0.00	0.00	0.00	0.00	141,403.30
Conservation and Development:							
Economic Development and Assistance	69,330.16						69,330.16
Total Conservation and Development	69,330.16	0.00	0.00	0.00	0.00	0.00	69,330.16

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 - Modified Cash Basis**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>							
Debt Service	43,420.80	0.00	0.00	0.00	0.00	0.00	43,420.80
Total Expenditures	874,570.04	0.00	0.00	48,834.04	0.00	0.00	923,404.08
Excess of Revenue Over (Under) Expenditures	(29,053.78)	3.45	10,203.98	(846.53)	82,688.80	1,821.62	64,817.54
<b>Other Financing Sources (Uses):</b>							
Transfers In							
Sale of Municipal Property	3,875.05				27,720.00		27,720.00
Transfers Out	(27,720.00)						3,875.05
Total Other Financing Sources (Uses)	(23,844.95)	0.00	0.00	0.00	27,720.00	0.00	(27,720.00)
Net Change in Fund Balances	(52,898.73)	3.45	10,203.98	(846.53)	110,408.80	1,821.62	68,692.59
Fund Balance - Beginning	225,854.43	(1,310.50)	37,255.61	52,397.04	351,597.14	127,576.87	793,370.59
Restatements:							
Adjust to Modified Cash Basis of Accounting (See Note 11.)	(3,901.64)		(5.50)		(613.05)		(4,520.19)
Restated Fund Balance - Beginning	221,952.79	(1,310.50)	37,250.11	52,397.04	350,984.09	127,576.87	788,850.40
FUND BALANCE - ENDING	169,054.06	(1,307.05)	47,454.09	51,550.51	461,392.89	129,398.49	857,542.99

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION - Modified Cash Basis**  
**PROPRIETARY FUNDS**  
**December 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	344,299.71	167,690.84	511,990.55
Total Current Assets	344,299.71	167,690.84	511,990.55
<b>TOTAL ASSETS</b>	344,299.71	167,690.84	511,990.55
<b>NET POSITION:</b>			
Unrestricted Net Position	344,299.71	167,690.84	511,990.55
<b>TOTAL NET POSITION</b>	344,299.71	167,690.84	511,990.55

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 - Modified Cash Basis**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	255,059.48	218,980.18	474,039.66
Revenue Dedicated to Servicing Debt	1,924.50		1,924.50
Miscellaneous		25.00	25.00
Total Operating Revenue	256,983.98	219,005.18	475,989.16
<b>Operating Expenses:</b>			
Personal Services	70,784.24	75,982.87	146,767.11
Other Current Expense	160,213.83	139,243.93	299,457.76
Materials (Cost of Goods Sold)	22,703.68		22,703.68
Total Operating Expenses	253,701.75	215,226.80	468,928.55
Operating Income (Loss)	3,282.23	3,778.38	7,060.61
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	2,448.67	881.86	3,330.53
Debt Service Principal Expense	(37,977.85)	(54,118.91)	(92,096.76)
Debt Service Interest Expense	(4,938.12)	(23,535.56)	(28,473.68)
Total Nonoperating Revenue (Expense)	(40,467.30)	(76,772.61)	(117,239.91)
Income (Loss) Before Contributions	(37,185.07)	(72,994.23)	(110,179.30)
Capital Contributions	53,853.82	53,853.82	107,707.64
Change in Net Position	16,668.75	(19,140.41)	(2,471.66)
Net Position - Beginning	938,780.60	1,086,026.93	2,024,807.53
Restatements:			
Adjust to Modified Cash Basis of Accounting (See Note 11.)	(611,149.64)	(899,195.68)	(1,510,345.32)
Restated Net Position - Beginning	327,630.96	186,831.25	514,462.21
NET POSITION - ENDING	344,299.71	167,690.84	511,990.55

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

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## NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Financial Reporting Entity:

The reporting entity of 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 two major categories: governmental and proprietary. 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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

The funds of the 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



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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
- 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.

The Municipality's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Governmental-wide Financial Statements:

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

Fund Financial Statements:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**Basis of Accounting:**

**Government-wide Financial Statements:**

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. Interfund Eliminations and Reclassifications:

**Government-wide Financial Statements:**

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, if any, are presented as Internal Balances.

e. 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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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.

f. Capital Assets:

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

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

g. Long-Term Liabilities:

Long-term liabilities may include, but are not limited to, Direct Borrowing Lease Payable, Direct Borrowing Notes Payable, and SRF Loans.

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

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

h. Revenue Received in Advance:

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

i. 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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

j. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

k. 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.

l. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

m. 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

n. 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 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

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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

	Year Ended 12/31/2023
General Fund:	
Activity:	
Legislative	5,492.16
Elections	5,365.84
Police	1,709.00
Parks	412.17
Debt Service	0.08

The Municipality plans to take the following actions to address these violations: use contingency transfers and supplemental budgets when legal authority exists.

3. DEFICIT FUND BALANCES / NET POSITION

As of December 31, 2023, and December 31, 2022, the following funds had deficit fund balances/net position in the amounts shown:

	Year Ended 12/31/23	Year Ended 12/31/22
Park Fund	\$ 1,325.48	\$ 1,307.05

4. DEPOSITS AND INVESTMENTS, 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, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 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 Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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, 2023, and December 31, 2022, 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 12/31/2022</u>	<u>Fair Value 12/31/2023</u>
External Investment Pools:			
SDFIT	Unrated	\$ 600,922.85	\$ 629,643.49
<b>TOTAL INVESTMENTS</b>		<u>\$ 600,922.85</u>	<u>\$ 629,643.49</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.

## 5. PROPERTY TAXES

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

The 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 MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

6. 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 \$0.00247 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.

7. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 were as follows:

<u>Transfers From:</u>	<u>Transfers to:</u>	
	<u>Street Capital Projects Fund</u>	<u>Total</u>
Major Fund:		
General Fund	\$ 27,720.00	\$ 27,720.00
Total	<u>\$ 27,720.00</u>	<u>\$ 27,720.00</u>

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

8. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2022, and December 31, 2023, were as follows:

<u>Purpose</u>	<u>Restricted By:</u>	<u>12/31/2022</u>	<u>12/31/2023</u>
Capital Projects	Law	642,341.89	621,611.39
Economic Development	Law	47,454.09	50,758.79
Total Restricted Net Position		<u>689,795.98</u>	<u>672,370.18</u>

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2023 were:

<u>Fund:</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$ 1,325.48	
Park Fund		\$ 1,325.48



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Interfund receivable and payable balances at December 31, 2022 were:

<u>Fund:</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$ 1,307.05	
Park Fund		\$ 1,307.05

The purposes for the interfund receivable and payable balances are to eliminate a temporary cash deficit.

#### 10. PENSION PLAN

##### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions 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 four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to the required contributions each year, were \$11,099.09, \$11,222.32, and \$15,276.89, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.1% 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 the measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 969,862.06
Less proportionate share of net pension restricted for pension benefits	<u>\$ 970,515.33</u>
Proportionate share of net pension liability (asset)	<u>\$ (653.27)</u>

The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.00669300%, which is an increase (decrease) of (0.0034640)% from its proportion measured as of June 30, 2022.

At June 30, 2022, SDRS is 100.1% funded and accordingly has net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 1,433,825.02
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,434,784.92</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (959.90)</u></u>

The net pension liability (asset) was measured as of June 30, 2022 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, 2022, the Municipality's proportion was 0.01015700%, which is a decrease of (0.0006190%) from its proportion measured as of June 30, 2021.

Actuarial Assumptions:

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

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

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected  
 Generationally with improvement scale MP-2020  
 Active and Terminated Vested Members:  
     Teachers, Certified Regents, and Judicial PubT-2010  
     Other Class A Members: PubG-2010  
     Public Safety Members: PubS-2010

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year

until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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 for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100%	

Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (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%	3.7%

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	2.70%

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 from 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:

At December 31, 2023, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$133,896.74	\$(653,27)	\$(110,689.51)

At December 31, 2022, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$199,314.45	\$(959.90)	\$(164,636.96)

Pension Plan Fiduciary Net Position:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**11. RESTATEMENT OF PRIOR PERIOD**

The Municipality switched to the modified cash basis of accounting. As a result, beginning net position/fund balance has been restated as of January 1, 2022.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Net Position January 1, 2022, as previously reported	3,130,704.45	2,024,807.53	
Restatement:			
Adjust to Modified Cash Basis of Accounting	<u>(2,341,854.05)</u>	<u>(1,510,345.32)</u>	
Net Position January 1, 2022, as restated	<u>788,850.40</u>	<u>514,462.21</u>	
	<u>General Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Street Capital Projects Fund</u>
Net Position January 1, 2022, as previously reported	225,854.43	37,255.61	351,597.14
Restatement:			
Adjust to Modified Cash Basis of Accounting	<u>(3,901.64)</u>	<u>(5.50)</u>	<u>(613.05)</u>
Net Position January 1, 2022, as restated	<u>221,952.79</u>	<u>37,250.11</u>	<u>350,984.09</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Net Position January 1, 2022, as previously reported	938,780.60	1,086,026.93	
Restatement:			
Adjust to Modified Cash Basis of Accounting	<u>(611,149.64)</u>	<u>(899,195.68)</u>	
Net Position January 1, 2022, as restated	<u>327,630.96</u>	<u>186,831.25</u>	

**12. 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 biennial period ended December 31, 2023, and 2022, the Municipality managed its risks as follows:

Employee Health Insurance:

As of December 31, 2023 and 2022, there are no employees on the Municipality's health insurance.

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Municipality pays an annual premium, 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 public 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.

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 not exceeded the liability coverage during the past three years.

Worker'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.

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.

13. SIGNIFICANT CONTINGENCIES - LITIGATION

During the audit period, the Municipality was involved in litigation with a property developer. This litigation was settled subsequent to the audit period.

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

14. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 14, 2025, the date on which the financial statements were available to be issued. In 2022, the board approved resolutions to authorize the issuance of a Clean Water Surcharge Revenue Bond and a Drinking Water Surcharge Revenue Bond not to exceed \$1,167,839.00 and \$1,206,339.00, respectively. As of December 31, 2023, nothing had been drawn down on either bond. The Municipality is expected to receive \$1,228,164.00 in ARPA funds for their upcoming water and sewer projects.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	282,000.00	282,000.00	269,538.57	(12,461.43)
General Sales and Use Taxes	250,000.00	250,000.00	400,321.65	150,321.65
Penalties and Interest on Delinquent Taxes	200.00	200.00	13.16	(186.84)
Licenses and Permits	31,060.00	31,060.00	106,369.05	75,309.05
Intergovernmental Revenue:				
State Grants	1,100.00	1,100.00	828.00	(272.00)
State Shared Revenue:				
Bank Franchise Tax	11,000.00	11,000.00	11,175.60	175.60
Prorate License Fees	1,000.00	1,000.00	1,272.11	272.11
Liquor Tax Reversion	8,500.00	8,500.00	8,564.64	64.64
Motor Vehicle Licenses	10,000.00	10,000.00	12,143.69	2,143.69
Local Government Highway and Bridge Fund	13,500.00	13,500.00	13,893.88	393.88
County Shared Revenue:				
County Wheel Tax	2,000.00	2,000.00	2,220.59	220.59
Charges for Goods and Services:				
General Government	150.00	150.00	225.00	75.00
Public Safety	7,800.00	7,800.00	6,298.53	(1,501.47)
Sanitation	158,000.00	158,000.00	166,064.74	8,064.74
Culture and Recreation	5,500.00	5,500.00	5,977.00	477.00
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	150.00	150.00	1,674.42	1,524.42
Rentals	26,087.00	26,087.00	49,410.00	23,323.00
Contributions and Donations from Private Sources	250.00	250.00	6,859.35	6,609.35
Liquor Operating Agreement Income	1,200.00	1,200.00	0.00	(1,200.00)
Other	35,750.00	35,750.00	11,043.37	(24,706.63)
<b>Total Revenue</b>	<b>845,747.00</b>	<b>845,747.00</b>	<b>1,073,893.35</b>	<b>228,146.35</b>
<b>Expenditures:</b>				
General Government:				
Legislative	67,547.00	181,772.00	187,264.16	(5,492.16)
Contingency	8,000.00	8,000.00		
Amount Transferred		0.00		8,000.00
Elections	1,950.00	1,950.00	7,315.84	(5,365.84)
Financial Administration	80,240.00	102,240.00	89,876.51	12,363.49
Other	32,296.00	32,296.00	15,578.12	16,717.88
<b>Total General Government</b>	<b>190,033.00</b>	<b>326,258.00</b>	<b>300,034.63</b>	<b>26,223.37</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	71,000.00	71,000.00	72,709.00	(1,709.00)
Fire	20,000.00	20,000.00	20,000.00	0.00
Protective Inspection	28,353.00	28,353.00	10,334.63	18,018.37
Other Protection	11,000.00	11,000.00	10,172.44	827.56
Total Public Safety	130,353.00	130,353.00	113,216.07	17,136.93
Public Works:				
Highways and Streets	237,659.00	237,659.00	222,577.84	15,081.16
Sanitation	132,286.00	132,286.00	130,656.29	1,629.71
Total Public Works	369,945.00	369,945.00	353,234.13	16,710.87
Health and Welfare:				
Health	3,400.00	4,520.00	4,519.44	0.56
Total Health and Welfare	3,400.00	4,520.00	4,519.44	0.56
Culture and Recreation:				
Parks	67,582.00	121,116.19	121,528.36	(412.17)
Libraries	3,743.00	3,743.00	2,319.99	1,423.01
Total Culture and Recreation	71,325.00	124,859.19	123,848.35	1,010.84
Conservation and Development:				
Economic Development and Assistance	43,867.00	43,867.00	12,309.33	31,557.67
Total Conservation and Development	43,867.00	43,867.00	12,309.33	31,557.67
Debt Service	41,824.00	41,824.00	41,824.08	(0.08)
Total Expenditures	850,747.00	1,041,626.19	948,986.03	92,640.16
Excess of Revenue Over (Under)				
Expenditures	(5,000.00)	(195,879.19)	124,907.32	320,786.51
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	115,168.50	115,168.50
Total Other Financing Sources (Uses)	0.00	0.00	115,168.50	115,168.50
Net Change in Fund Balances	(5,000.00)	(195,879.19)	240,075.82	435,955.01
Fund Balance - Beginning	169,054.06	169,054.06	169,054.06	0.00
FUND BALANCE - ENDING	164,054.06	(26,825.13)	409,129.88	435,955.01

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**PARK FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	10.00	10.00	13.67	3.67
Contributions and Donations from Private Sources	200.00	2,500.00	0.00	(2,500.00)
<b>Total Revenue</b>	<b>210.00</b>	<b>2,510.00</b>	<b>13.67</b>	<b>(2,496.33)</b>
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	210.00	210.00	32.10	177.90
<b>Total Culture and Recreation</b>	<b>210.00</b>	<b>210.00</b>	<b>32.10</b>	<b>177.90</b>
<b>Total Expenditures</b>	<b>210.00</b>	<b>210.00</b>	<b>32.10</b>	<b>177.90</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>2,300.00</b>	<b>(18.43)</b>	<b>(2,318.43)</b>
<b>Fund Balance - Beginning</b>	<b>(1,307.05)</b>	<b>(1,307.05)</b>	<b>(1,307.05)</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>(1,307.05)</b>	<b>992.95</b>	<b>(1,325.48)</b>	<b>(2,318.43)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Tax	8,040.00	8,040.00	8,399.58	359.58
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	572.81	572.81
Other	0.00	0.00	961.93	961.93
<b>Total Revenue</b>	<b>8,040.00</b>	<b>8,040.00</b>	<b>9,934.32</b>	<b>1,894.32</b>
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance	8,040.00	8,040.00	6,629.62	1,410.38
Total Conservation and Development	8,040.00	8,040.00	6,629.62	1,410.38
<b>Total Expenditures</b>	<b>8,040.00</b>	<b>8,040.00</b>	<b>6,629.62</b>	<b>1,410.38</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>0.00</b>	<b>3,304.70</b>	<b>3,304.70</b>
<b>Fund Balance - Beginning</b>	<b>47,454.09</b>	<b>47,454.09</b>	<b>47,454.09</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>47,454.09</b>	<b>47,454.09</b>	<b>50,758.79</b>	<b>3,304.70</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**STREET ASSESSMENT FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Maintenance Assessments	48,836.00	48,836.00	52,173.05	3,337.05
<b>Total Revenue</b>	48,836.00	48,836.00	52,173.05	3,337.05
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	48,836.00	48,836.00	48,823.76	12.24
<b>Total Public Works</b>	48,836.00	48,836.00	48,823.76	12.24
<b>Total Expenditures</b>	48,836.00	48,836.00	48,823.76	12.24
<b>Net Change in Fund Balances</b>	0.00	0.00	3,349.29	3,349.29
<b>Fund Balance - Beginning</b>	51,550.51	51,550.51	51,550.51	0.00
<b>FUND BALANCE - ENDING</b>	51,550.51	51,550.51	54,899.80	3,349.29

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	289,670.00	289,670.00	245,935.95	(43,734.05)
General Sales and Use Taxes	194,000.00	194,000.00	265,659.56	71,659.56
Penalties and Interest on Delinquent Taxes	1,600.00	1,600.00	312.45	(1,287.55)
Licenses and Permits	9,450.00	9,450.00	62,688.92	53,238.92
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	11,000.00	11,000.00	9,693.26	(1,306.74)
Prorate License Fees	500.00	500.00	1,152.25	652.25
Liquor Tax Reversion	8,000.00	8,000.00	8,731.00	731.00
Motor Vehicle Licenses	10,000.00	10,000.00	11,673.40	1,673.40
Local Government Highway and Bridge Fund	13,500.00	13,500.00	13,512.24	12.24
County Shared Revenue:				
County Wheel Tax	2,000.00	2,000.00	1,445.29	(554.71)
Charges for Goods and Services:				
General Government	150.00	150.00	0.00	(150.00)
Public Safety	6,200.00	6,200.00	4,748.17	(1,451.83)
Sanitation	155,700.00	155,700.00	131,221.03	(24,478.97)
Culture and Recreation	9,100.00	9,100.00	6,625.13	(2,474.87)
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	175.00	(325.00)
Miscellaneous Revenue:				
Investment Earnings	150.00	150.00	432.97	282.97
Rentals	25,327.00	25,327.00	53,030.50	27,703.50
Contributions and Donations from Private Sources	200.00	200.00	250.00	50.00
Liquor Operating Agreement Income	2,000.00	2,000.00	0.00	(2,000.00)
Other	33,720.00	33,720.00	28,229.14	(5,490.86)
<b>Total Revenue</b>	<b>772,767.00</b>	<b>772,767.00</b>	<b>845,516.26</b>	<b>72,749.26</b>
<b>Expenditures:</b>				
General Government:				
Legislative	83,774.99	118,774.99	117,975.13	799.86
Elections	2,730.00	2,730.00	1,587.75	1,142.25
Financial Administration	76,524.99	76,524.99	68,720.12	7,804.87
Other	26,940.00	26,940.00	24,313.46	2,626.54
<b>Total General Government</b>	<b>189,969.98</b>	<b>224,969.98</b>	<b>212,596.46</b>	<b>12,373.52</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	67,249.00	67,249.00	67,249.00	0.00
Fire	20,000.00	20,000.00	20,000.00	0.00
Protective Inspection	36,569.99	36,569.99	16,640.33	19,929.66
Other Protection	8,300.00	8,300.00	5,451.23	2,848.77
Total Public Safety	132,118.99	132,118.99	109,340.56	22,778.43
Public Works:				
Highways and Streets	100,872.00	178,758.43	178,356.38	402.05
Sanitation	100,808.00	112,808.00	112,087.92	720.08
Total Public Works	201,680.00	291,566.43	290,444.30	1,122.13
Health and Welfare:				
Health	5,990.00	8,090.00	8,034.46	55.54
Total Health and Welfare	5,990.00	8,090.00	8,034.46	55.54
Culture and Recreation:				
Parks	95,462.00	139,608.43	139,468.00	140.43
Libraries	3,600.00	3,600.00	1,935.30	1,664.70
Total Culture and Recreation	99,062.00	143,208.43	141,403.30	1,805.13
Conservation and Development:				
Economic Development and Assistance	88,200.99	88,200.99	69,330.16	18,870.83
Total Conservation and Development	88,200.99	88,200.99	69,330.16	18,870.83
Debt Service	47,053.00	47,053.00	43,420.80	3,632.20
Miscellaneous:				
Liquor Operating Agreements	350.00	350.00	0.00	350.00
Total Miscellaneous	350.00	350.00	0.00	350.00
Total Expenditures	764,424.96	935,557.82	874,570.04	60,987.78
Excess of Revenue Over (Under)				
Expenditures	8,342.04	(162,790.82)	(29,053.78)	133,737.04
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	3,875.05	3,875.05
Transfers Out	(8,342.00)	(8,342.00)	(27,720.00)	(19,378.00)
Total Other Financing Sources (Uses)	(8,342.00)	(8,342.00)	(23,844.95)	(15,502.95)
Net Change in Fund Balances	0.04	(171,132.82)	(52,898.73)	118,234.09
Fund Balance - Beginning	225,854.43	225,854.43	225,854.43	0.00
Restatements:				
Adjust to Modified Cash Basis of Accounting				
(See Note 11.)	(3,901.64)	(3,901.64)	(3,901.64)	0.00
Restated Fund Balance - Beginning	221,952.79	221,952.79	221,952.79	0.00
FUND BALANCE - ENDING	221,952.83	50,819.97	169,054.06	118,234.09

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

For the Year Ended December 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	10.00	10.00	3.45	(6.55)
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	3.45	(2,506.55)
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	2,510.00	2,510.00	0.00	2,510.00
Total Culture and Recreation	2,510.00	2,510.00	0.00	2,510.00
Total Expenditures	2,510.00	2,510.00	0.00	2,510.00
Net Change in Fund Balances	0.00	0.00	3.45	3.45
Fund Balance - Beginning	(1,310.50)	(1,310.50)	(1,310.50)	0.00
FUND BALANCE - ENDING	(1,310.50)	(1,310.50)	(1,307.05)	3.45



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Tax	6,200.00	6,200.00	9,579.81	3,379.81
Miscellaneous Revenue:				
Investment Earnings	200.00	200.00	149.17	(50.83)
Other	0.00	0.00	475.00	475.00
Total Revenue	6,400.00	6,400.00	10,203.98	3,803.98
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance	6,400.00	6,400.00	0.00	6,400.00
Total Conservation and Development	6,400.00	6,400.00	0.00	6,400.00
Total Expenditures	6,400.00	6,400.00	0.00	6,400.00
Net Change in Fund Balances	0.00	0.00	10,203.98	10,203.98
Fund Balance - Beginning	37,255.61	37,255.61	37,255.61	0.00
Restatements:				
Adjust to Modified Cash Basis of Accounting				
(See Note 11.)	(5.50)	(5.50)	(5.50)	0.00
Restated Fund Balance - Beginning	37,250.11	37,250.11	37,250.11	0.00
FUND BALANCE - ENDING	37,250.11	37,250.11	47,454.09	10,203.98

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**STREET ASSESSMENT FUND**  
**For the Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Maintenance Assessments	48,836.00	48,836.00	47,987.51	(848.49)
Total Revenue	48,836.00	48,836.00	47,987.51	(848.49)
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	48,836.00	48,836.00	48,834.04	1.96
Total Public Works	48,836.00	48,836.00	48,834.04	1.96
Total Expenditures	48,836.00	48,836.00	48,834.04	1.96
Net Change in Fund Balances	0.00	0.00	(846.53)	(846.53)
Fund Balance - Beginning	52,397.04	52,397.04	52,397.04	0.00
FUND BALANCE - ENDING	52,397.04	52,397.04	51,550.51	(846.53)

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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. No amount of expenditures may be charged directly to the contingency line item in the budget.
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, 2023, or December 31, 2022.

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 each major special revenue fund 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 Nine Years

	District's proportion of the net pension liability/asset	District's proportionate share of net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.0066930%	\$ (653.27)	\$ 169,496.43	0.39%	100.10%
2022	0.0101570%	\$ (959.90)	\$ 235,753.06	0.41%	100.10%
2021	0.0107760%	\$ (82,525.72)	\$ 235,399.21	35.06%	105.52%
2020	0.0071886%	\$ (312.20)	\$ 233,644.34	0.13%	100.04%
2019	0.0100269%	\$ (1,062.58)	\$ 209,360.30	0.51%	100.09%
2018	0.0078888%	\$ (183.99)	\$ 164,002.37	0.11%	100.02%
2017	0.0078970%	\$ (716.66)	\$ 159,108.78	0.45%	100.10%
2016	0.0082139%	\$ 27,745.75	\$ 152,371.20	18.21%	96.89%
2015	0.0078052%	\$ (33,104.08)	\$ 149,158.13	22.19%	104.10%

\* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous fiscal year. 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 Nine Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 11,099.09	\$ 11,099.09	\$ -	\$ 184,985.42	6.00%
2022	\$ 11,222.32	\$ 11,222.32	\$ -	\$ 187,038.03	6.00%
2021	\$ 15,276.89	\$ 15,276.89	\$ -	\$ 254,612.33	6.00%
2020	\$ 13,588.20	\$ 13,588.20	\$ -	\$ 226,470.73	6.00%
2019	\$ 13,822.08	\$ 13,822.08	\$ -	\$ 230,367.72	6.00%
2018	\$ 10,563.60	\$ 10,563.60	\$ -	\$ 176,057.89	6.00%
2017	\$ 9,832.93	\$ 9,832.93	\$ -	\$ 163,882.02	6.00%
2016	\$ 9,276.41	\$ 9,276.41	\$ -	\$ 154,604.28	6.00%
2015	\$ 9,013.00	\$ 9,013.00	\$ -	\$ 150,213.78	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 SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation

**Actuarial Assumption Changes**

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

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

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

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

**MUNICIPALITY OF BALTIC**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF LONG TERM LIABILITIES**

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	Beginning Balance 01/01/22	Additions	Deletions	Ending Balance 12/31/2023	Due Within One Year
Primary Government:					
Governmental Activities:					
Direct Borrowing					
Lease Payable:					
Kinetic # 3	182,969.00	0.00	54,527.07	128,441.93	25,663.13
US Bank - Snowplow	10,544.30	0.00	8,406.83	2,137.47	2,137.47
Direct Borrowing					
Note Payable - Dump Truck	31,778.08	0.00	15,151.29	16,626.79	8,905.12
Total Governmental Activities	225,291.38	0.00	78,085.19	147,206.19	36,705.72
Business-Type Activities:					
State Revolving Fund Loan -					
Clean Water # 1	60,952.27	0.00	53,940.97	7,011.30	7,011.30
State Revolving Fund Loan -					
Drinking Water # 1	37,563.84	0.00	33,242.73	4,321.11	4,321.11
State Revolving Fund Loan -					
Clean Water # 2	83,470.83	0.00	15,198.23	68,272.60	7,946.67
State Revolving Fund Loan -					
Clean Water # 3	582,498.34	0.00	36,931.04	545,567.30	19,381.66
State Revolving Fund Loan -					
Drinking Water # 3	286,802.17	0.00	39,957.11	246,845.06	20,892.29
Direct Borrowing					
Lease Payable:					
US Bank - Snowplow	10,544.31	0.00	8,406.83	2,137.48	2,137.48
Total Business-Type Activities	1,061,831.76	0.00	187,676.91	874,154.85	61,690.51
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,287,123.14</b>	<b>0.00</b>	<b>265,762.10</b>	<b>1,021,361.04</b>	<b>98,396.23</b>

Long Term Liabilities payable at December 31, 2023 is comprised of the following:

State Revolving Fund Loan - Clean Water # 1:

State Revolving Fund Loan for Sewer Project  
Interest Rate 3.50%, Maturity January 15, 2024  
Payable from Sewer Fund \$7,011.30

State Revolving Fund Loan - Drinking Water # 1:

State Revolving Fund Loan for Water Project  
Interest Rate 3.50%, Maturity January 15, 2024  
Payable from Water Fund \$4,321.11

State Revolving Fund Loan - Clean Water # 2:

State Revolving Fund Loan for Sewer Project  
Interest Rate 3.00%, Maturity July 15, 2031  
Payable from Sewer Fund \$68,272.60

State Revolving Fund Loan - Clean Water # 3:

State Revolving Fund Loan for Sewer Project  
Interest Rate 3.25%, Maturity January 15, 2044  
Payable from Sewer Fund \$545,567.30

State Revolving Fund Loan - Drinking Water # 3:

State Revolving Fund Loan for Water Project  
Interest Rate 3.00%, Maturity January 15, 2034  
Payable from Water Fund \$246,845.06

Direct Borrowing Note Payable:

First National Bank in Sioux Falls – Dump Truck  
Interest Rate 2.60%, Maturity November 20, 2025  
Payable from General Fund \$16,626.79

Direct Borrowing Lease Payable:

US Bank – for Boss Power V Snowplow,  
Interest Rate 4.36%, Maturity July 1, 2024  
Payable from General, Water and Sewer Funds \$4,274.95

Kinetic Lease - Lease Payable for Street Project,  
Interest Rate 4.51%, Maturity April 1, 2028  
Payable from General Fund \$128,441.93

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$147,206.19 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.

**MUNICIPALITY OF BALTIC**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF LONG TERM LIABILITIES**

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The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$2,137.48 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, 2023, except for compensated absences are as follows:

Annual Requirements to Maturity for Long-Term Liabilities  
December 31, 2023

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
2024	7,011.30	60.86	4,321.11	37.32	7,946.67	1,959.33
2025					8,187.76	1,718.24
2026					8,436.17	1,469.83
2027					8,692.12	1,213.88
2028					8,955.82	950.18
2029-2033					26,054.06	1,187.44
Totals	7,011.30	60.86	4,321.11	37.32	68,272.60	8,498.90

  

	State Revolving Loan Fund - Clean Water # 3		State Revolving Loan Fund - Drinking Water # 3		Direct Borrowing Lease Kinetic Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	19,381.66	17,496.34	20,892.29	7,171.79	25,663.13	4,839.87
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	21,358.15	15,519.85	22,852.12	5,211.96	31,991.41	1,284.59
2028	22,060.79	14,817.21	23,545.44	4,518.64	10,973.65	118.35
2029-2033	121,679.86	62,710.14	128,885.86	11,434.54		
2034-2038	143,056.10	41,333.90	6,963.97	52.23		
2039-2043	168,187.67	16,202.33				
2044-2048	9,145.89	74.31				
Totals	545,567.30	201,212.90	246,845.06	40,811.94	128,441.93	12,981.07

  

	Direct Borrowing Lease US Bank - Snowplow		Direct Borrowing Note Payable National Bank - Dump Truck		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	4,274.95	54.58	8,905.12	355.30	98,396.23	31,975.39
2025			7,721.67	114.02	86,687.62	29,272.15
2026					81,874.28	26,249.80
2027					84,893.80	23,230.28
2028					65,535.70	20,404.38
2029-2033					276,619.78	75,332.12
2034-2038					150,020.07	41,386.13
2039-2043					168,187.67	16,202.33
2044-2048					9,145.89	74.31
Totals	4,274.95	54.58	16,626.79	469.32	1,021,361.04	264,126.89