

City of Elk Point

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2022**

City of Elk Point
City Officials
December 31, 2022

Mayor:

Deborah McCreary

Governing Board:

Jim Verros

Ben Irlbeck

Lance Penfield

Amanda Abraham

Kenneth VonHaden

Finance Officer:

Erika Hammitt

City of Elk Point

Table of Contents

	Page
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 <i>Government Auditing Standards</i> -----	1-2
Schedule of Findings -----	3-4
Independent Auditor’s Report -----	5-7
Management Discussion and Analysis (MD&A) -----	8-16
Financial Statements	
Statement of Net Position-----	17
Statement of Activities-----	18
Balance Sheet – Governmental Funds -----	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds -----	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities -----	23
Statement of Net Position – Proprietary Funds-----	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds -----	25
Statement of Cash Flows – Proprietary Funds -----	26-27
Notes to the Financial Statements -----	28-54
Required Supplementary Information -----	55
Budgetary Comparison Schedules-Budgetary Basis General Fund -----	56-57
Budgetary Comparison Schedules-Budgetary Basis Safe Routes to School Fund-----	58
Notes to the Budgetary Comparison Schedules -----	59
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) -----	60
Schedule of the City’s Contributions (SDRS) -----	61
Notes to the Required Supplementary Information – Pension Schedules -----	62-63
Supplementary Information -----	64
Combining Balance Sheet – Nonmajor Governmental Funds -----	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of Nonmajor Governmental Funds -----	66



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Governing Board
Elk Point, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk Point, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 14, 2024. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of the component units was not audited.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Elk Point’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 City of Elk Point’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elk Point’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elk Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-002.

City's Response to Findings

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

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 City'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.



Elk Point, South Dakota
February 14, 2024

City of Elk Point
Schedule of Findings
For the Year Ended December 31, 2022

Schedule of Prior Audit Findings

Audit Finding Number 2021-001:

The City of Elk Point does not have an adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This finding has not been corrected and is being restated as Audit Finding Number 2022-001.

Schedule of Current Audit Findings

Audit Finding Number 2022-001 – Internal Control Finding

The City of Elk Point does not have an adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This is the fifteenth consecutive audit report in which this finding has appeared.

Criteria:

In order to achieve proper internal control, it is necessary to have a segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition Found:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendations:

We recommend that the City officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical.

Management's Response:

The City of Elk Point has considered the lack of segregation of duties. At this time, it is not cost efficient for the City of Elk Point to hire additional staff needed to achieve segregation of duties. The City of Elk Point has implemented alternate procedures, to decrease the likelihood that financial data is adversely affected.

City of Elk Point
Schedule of Findings
For the Year Ended December 31, 2022 (Continued)

Audit Finding Number 2022-002 – Compliance Finding

Expenditures were paid in excess of appropriations for some departments.

Criteria:

SDCL 9-12-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided.

Condition Found:

In 2022, the expenditures paid from the General Fund exceeded amounts budgeted in 2 different functions.

Recommendations:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Management's Response:

The City of Elk Point will monitor the budgets of each fund more closely to ensure that overspending does not occur. If expenditures are anticipated to exceed the annual appropriation, the City of Elk Point will adopt a supplemental appropriation to utilize unobligated fund balances.



Independent Auditor's Report

City Council
City of Elk Point
Elk Point, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk Point, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City of Elk Point's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the Significance of the matter described in the Basis for Disclosure of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Elk Point. Accordingly, we do not express opinions on those financial statements.

Unmodified Opinions on the Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk Point, South Dakota as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of The United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Elk Point 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 unmodified audit opinions.

Matter Giving Rise to disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Housing and Redevelopment Commission (HRC) and the Economic Development (ED) have not been audited, and we were not engaged to audit these financial statements as part of the City's basic financial statements. The HRC's and ED's financial activities are included in the City's basic financial statements as discretely presented component units and represent the assets, net position, and revenues of the City's discretely presented component units.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 judgement 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 judgement 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 purposes of expressing an opinion on the effectiveness of the City of Elk Point, South Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Elk Point, South Dakota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements as 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 was derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.



Elk Point, South Dakota
February 14, 2024

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

This section of Elk Point’s annual financial report presents discussion and analysis of the City’s financial performance during the fiscal year ended on December 31, 2022. Please read it in conjunction with the City’s financial statements, which follow this section.

Financial Highlights

During the year, the City of Elk Point revenues generated from charges for services, taxes, and other revenues of the governmental programs were \$952,136 more than the \$5,341,692 governmental and business-type program expenditures.

Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status of the City of Elk Point.
2. The remaining statements are fund financial statements that focus on individual parts of City government, reporting the City’s operations in more detail than the government-wide statements.
 - A. The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - B. Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has four proprietary funds – the Water Fund, the Sewer Fund, the Electric Fund and the Garbage Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the City of Elk Point’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Figure A-2

Major Features of the City of Elk Point's Government-wide and Fund Financial Statements

	Fund Statements		
	Government Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks.	Activities the City operates similar to private businesses.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Elk Point's net position and how they have changed. Net position – the difference between the City of Elk Point's assets and liabilities – is one way to measure the City of Elk Point's financial health or position.

1. Increases or decreases in the City of Elk Point's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
2. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City of Elk Point's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

1. Governmental Activities -- This category includes most of the City of Elk Point's basic services, such as police, swimming pool, cemetery, library, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
2. Business-type Activities -- The City charges a fee to customers to help cover the costs of certain services it provides. The City of Elk Point's water, sewer, electric and garbage systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Elk Point's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

1. State Law requires some of the funds.
2. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

The City has two kinds of funds:

1. Governmental Funds – Most of the City of Elk Point’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Elk Point’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

2. Proprietary Funds – Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City of Elk Point’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Financial Analysis of the City as a Whole

The City's combined net position shows an increase of 5.61% between fiscal year 2021 and 2022 – increasing by \$952,139.

Table A-1
City of Elk Point
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2021	2022	2021	2022	2021	2022	Change 2021-2022
Current and Other Assets	\$ 2,954,506	\$ 2,177,481	\$ 3,958,305	\$ 4,189,099	\$ 6,912,811	\$ 6,366,580	-7.90%
Capital Assets (Net of Depreciation)	4,977,017	5,509,218	10,137,234	10,230,839	15,114,251	15,740,057	4.14%
Total Assets	<u>7,931,523</u>	<u>7,686,699</u>	<u>14,095,539</u>	<u>14,419,938</u>	<u>22,027,062</u>	<u>22,106,637</u>	0.36%
Pension Related Deferred Outflows	389,406	352,041	--	--	389,406	352,041	-9.60%
Total Deferred Outflows or Resources	<u>389,406</u>	<u>352,041</u>	<u>--</u>	<u>--</u>	<u>389,406</u>	<u>352,041</u>	-9.60%
Long-Term Liabilities Outstanding	1,842,056	1,654,660	2,820,940	2,526,012	4,662,996	4,180,672	-10.34%
Other Liabilities	165,939	54,835	108,571	152,211	274,510	207,046	-24.58%
Total Liabilities	<u>2,007,995</u>	<u>1,709,495</u>	<u>2,929,511</u>	<u>2,678,223</u>	<u>4,937,506</u>	<u>4,387,718</u>	-11.13%
Pension Related Deferred Inflows	591,512	231,370	--	--	591,512	231,370	-60.88%
Total Deferred Inflows of Resources	<u>591,512</u>	<u>231,370</u>	<u>--</u>	<u>--</u>	<u>591,512</u>	<u>231,370</u>	-60.88%
Net Investment in Capital Assets	3,177,694	3,901,484	7,330,730	7,721,908	10,508,424	11,623,392	10.61%
Restricted	683,083	542,097	577,020	867,197	1,260,103	1,409,294	11.84%
Unrestricted	1,860,645	1,654,294	3,258,279	3,152,610	5,118,924	4,806,904	-6.10%
Total Net Position	<u>5,721,422</u>	<u>6,097,875</u>	<u>11,166,029</u>	<u>11,741,715</u>	<u>16,887,451</u>	<u>17,839,590</u>	5.64%
Beginning Net Position	<u>5,086,207</u>	<u>5,721,422</u>	<u>10,597,998</u>	<u>11,166,029</u>	<u>15,684,205</u>	<u>16,887,451</u>	7.67%
Increase (Decrease) in Net Position	<u>\$ 635,215</u>	<u>\$ 376,453</u>	<u>\$ 568,031</u>	<u>\$ 575,686</u>	<u>\$ 1,203,246</u>	<u>\$ 952,139</u>	-20.87%
Percentage of Increase (Decrease) in Net Position	12.49%	6.58%	5.36%	5.16%	7.67%	5.64%	

The Statement of Net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable, general obligation bonds, and water and wastewater revenue bonds payable, have been reported in this manner on the Statement of Net position. The difference between the City of Elk Point's assets and liabilities is its net position.

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Changes in Net Position

The City of Elk Point’s total revenues (excluding special items) totaled \$6,293,759. Approximately, 73% of the City’s revenue comes from property and other taxes, with another 11% from operating grants and contributions. (See Table A-2).

Table A-2
City of Elk Point
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 1,966,670	31.25%
State Sources	113,285	1.80%
Operating Grants & Contributions	307,362	4.88%
Business type activities	3,608,142	57.33%
Charges For Services	78,342	1.24%
Other General Revenues	200,524	3.19%
Unrestricted Investment Earnings	<u>19,434</u>	<u>0.31%</u>
 Total Revenue	 <u>\$ 6,293,759</u>	 <u>100.00%</u>

The city’s expenses totaled \$5,341,692. The City’s expenses cover a range of services. (See Table A-3).

Table A-3
City of Elk Point
Statement of Expenditures
Fiscal Year 2021-2022

General government	\$ 369,171	6.92%
Public safety	502,805	9.41%
Public works	783,339	14.66%
Health and welfare	694	0.01%
Culture and recreation	396,741	7.43%
Conservation and development	232,047	4.34%
Debt service	24,367	0.46%
Water	578,472	10.83%
Electric	1,779,137	33.31%
Sewer	455,293	8.52%
Garbage	<u>219,554</u>	<u>4.11%</u>
 Total Expenditures	 <u>\$ 5,341,620</u>	 <u>100.00%</u>

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the City.

Table A-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 121,408	\$ 78,342	\$ 3,356,939	\$ 3,565,172	\$ 3,478,347	\$ 3,643,514	4.75%
Operating Grants/Contributions	164,502	307,362	--	--	164,502	307,362	86.84%
Capital Grants and Contributions	493,513	--	--	--	493,513	--	-100.00%
General Revenues							
Taxes	1,832,045	1,966,670	--	--	1,832,045	1,966,670	7.35%
Revenue State Sources	90,431	113,285	--	--	90,431	113,285	25.27%
Other general revenues	52,133	200,524	12,252	40,966	64,385	241,490	275.07%
Unrestricted Investment Earnings	10,991	19,434	--	2,004	10,991	21,438	95.05%
	<u>2,765,023</u>	<u>2,685,617</u>	<u>3,369,191</u>	<u>3,608,142</u>	<u>6,134,214</u>	<u>6,293,759</u>	<u>2.60%</u>
Expenses							
General government	332,231	369,171	--	--	332,231	369,171	11.12%
Public safety	449,711	502,805	--	--	449,711	502,805	11.81%
Public works	598,545	783,339	--	--	598,545	783,339	30.87%
Health and welfare	3,070	694	--	--	3,070	694	-77.39%
Culture and recreation	188,612	396,741	--	--	188,612	396,741	110.35%
Conservation and development	515,572	232,047	--	--	515,572	232,047	-54.99%
Debt service	42,067	24,367	--	--	42,067	24,367	-42.08%
Water	--	--	551,920	578,472	551,920	578,472	4.81%
Electric	--	--	1,728,639	1,779,137	1,728,639	1,779,137	2.92%
Sewer	--	--	482,289	455,293	482,289	455,293	-5.60%
Garbage	--	--	159,812	219,554	159,812	219,554	37.38%
	<u>2,129,808</u>	<u>2,309,164</u>	<u>2,922,660</u>	<u>3,032,456</u>	<u>5,052,468</u>	<u>5,341,620</u>	<u>5.72%</u>
Excess (Deficiency) Before Special Items and Transfers	635,215	376,453	446,531	575,686	1,081,746	952,139	-11.98%
Gain/Loss on capital assets	--	--	121,500	--	121,500	--	-100.00%
Increase (Decrease) in Net Position	635,215	376,453	568,031	575,686	1,203,246	952,139	-20.87%
Beginning Net Position	<u>5,086,207</u>	<u>5,721,422</u>	<u>10,597,998</u>	<u>11,166,029</u>	<u>15,684,205</u>	<u>16,887,451</u>	<u>7.67%</u>
Ending Net Position	<u>\$ 5,721,422</u>	<u>\$ 6,097,875</u>	<u>\$ 11,166,029</u>	<u>\$ 11,741,715</u>	<u>\$ 16,887,451</u>	<u>\$ 17,839,590</u>	<u>5.64%</u>

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

Governmental Activities

Increase in the governmental expenses was 8%, mainly due to increases in public safety, public works, and culture and recreation. The decrease in the governmental revenues was 3%, mainly due to decreases in capital grants and charges for services.

Business-Type Activities

Operating revenues increased by 26%, mainly due to increases in other general revenue sources. Expenses increased by 4%, mainly due to an increase in garbage expenditures.

Financial Analysis of the City's Funds

The financial analysis of the City of Elk Point funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains four governmental funds – General Fund, UDAG Fund and Liquor, lodging, and dining sales tax fund, one trust and agency fund, and four business type funds – Water, Electric, Sewer and Garbage Funds.

Overall, the governmental funds have a \$946,914 dollar increase in fund balance over the last year. Due to an increase in governmental revenues.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget. This amendment was for contingency transfers and supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens and to improve the Elk Point Community.

Capital Asset Administration

By the end of 2022, the City had invested \$15,740,057 (net of depreciation) in a broad range of capital assets, including, land, construction in progress, buildings, improvements, various machinery and equipment, and library books. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$625,806.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 33,336	\$ 33,336	\$ 153,487	\$ 153,487	\$ --	0.00%
Construction in progress	1,688,989	434,314	872,463	--	(2,127,138)	-83.04%
Buildings	578,256	533,081	10,600	15,151	(40,624)	-6.90%
Improvements	2,058,474	3,686,125	7,787,341	8,802,177	2,642,487	26.84%
Machinery & Equipment	594,348	797,139	1,313,343	1,260,024	149,472	7.84%
Library Books	23,614	25,223	--	--	1,609	6.81%
Total Capital Assets	\$ 4,977,017	\$ 5,509,218	\$ 10,137,234	\$ 10,230,839	\$ 625,806	4.14%

City of Elk Point
Management Discussion and Analysis (MD&A)
December 31, 2022

This year's major capital asset purchases included a 2021 Chevy Tahoe, a new snow blower, a couple of mowers, and water and sewer additions and improvements .

Long-Term Debt

At the end of the year, the City has \$4,180,672 in general long-term obligations. This is a total dollar change of \$(482,324). See individual balances as shown on Table A-6 below.

Table A-6
Outstanding Debt and Obligations

	<u>2021</u>	<u>2022</u>	<u>Total Dollar Change</u>	<u>Total % Change</u>
Governmental Activities				
General Obligation Bonds	\$ 1,435,000	\$ 1,365,000	\$ (70,000)	-4.88%
Direct Borrowing Note	259,985	242,734	(17,251)	-6.64%
Bank Notes Payable	104,339	--	(104,339)	-100.00%
Accrued Compensated Absences - Governmental Funds	42,732	46,926	4,194	9.81%
Total Outstanding Debt	<u><u>\$ 1,842,056</u></u>	<u><u>\$ 1,654,660</u></u>	<u><u>\$ (187,396)</u></u>	<u><u>-10.17%</u></u>
Business-Type Activities				
Certificates of Participation	\$ 95,000	\$ --	\$ (95,000)	-100.00%
State Revolving Loans	2,711,504	2,508,931	(202,573)	-7.47%
Accrued Compensated Absences - Business-Type Funds	14,436	17,081	2,645	18.32%
Total Outstanding Debt	<u><u>\$ 2,820,940</u></u>	<u><u>\$ 2,526,012</u></u>	<u><u>\$ (294,928)</u></u>	<u><u>-10.45%</u></u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Elk Point's finances and to demonstrate the City of Elk Point's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Elk Point's Finance Office, 106 W. Pleasant Street, PO Box 280, Elk Point, SD 57025.

City of Elk Point
Statement of Net Position
December 31, 2022

	Primary Government			Unaudited Component Units	
	Governmental	Business-Type	Total	Housing &	Economic
	Activities	Activities		Redevelopment	Development
Assets:					
Cash and cash equivalents	\$ 1,862,371	\$ 1,983,764	\$ 3,846,135	\$ 58,933	\$ 58,748
Investments	149,581	971,333	1,120,914	--	--
Accounts receivable, net	155,121	636,845	791,966	--	--
Inventories	6,523	184,235	190,758	--	--
Restricted assets:					
Cash	--	205,947	205,947	--	--
Investments	--	206,975	206,975	--	--
Net pension asset	3,885	--	3,885	--	--
Capital assets:					
Land	467,650	153,487	621,137	--	182,150
Other capital assets, net of depreciation	5,041,568	10,077,352	15,118,920	--	246,000
Total Assets	7,686,699	14,419,938	22,106,637	58,933	486,898
Deferred Outflows of Resources:					
Pension related deferred outflows	352,041	--	352,041	--	--
Liabilities:					
Accounts payable	36,139	152,211	188,350	--	--
Other current liabilities	18,696	--	18,696	--	--
Noncurrent liabilities:					
Due within one year	359,660	139,978	499,638	--	--
Due in more than one year	1,295,000	2,386,034	3,681,034	--	--
Total Liabilities	1,709,495	2,678,223	4,387,718	--	--
Deferred Inflows of Resources:					
Pension related deferred inflows	231,370	--	231,370	--	--
Net Position:					
Net investment in capital assets	3,901,484	7,721,908	11,623,392	--	--
Restricted for:					
Debt services	--	368,238	368,238	--	--
Library	20,460	--	20,460	--	--
Facility Replacement	--	452,116	452,116	--	--
Meter Deposits	--	46,843	46,843	--	--
Promotion of the city	397,081	--	397,081	--	--
SDRS pension purposes	124,556	--	124,556	--	--
Unrestricted	1,654,294	3,152,610	4,806,904	58,933	486,898
Total Net Position	\$ 6,097,875	\$ 11,741,715	\$ 17,839,590	\$ 58,933	\$ 486,898

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Unaudited Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Housing & Redevelopment	Economic Development
						Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 369,171	\$ --	\$ 286,028	\$ --	\$ (83,143)	\$ --	\$ (83,143)		
Public safety	502,805	4,857	--	--	(497,948)	--	(497,948)		
Public works	783,339	33,198	--	--	(750,141)	--	(750,141)		
Health and welfare	694	4,449	21,334	--	25,089	--	25,089		
Culture and recreation	396,741	35,838	--	--	(360,903)	--	(360,903)		
Conservation and development	232,047	--	--	--	(232,047)	--	(232,047)		
Debt service	24,367	--	--	--	(24,367)	--	(24,367)		
Total Governmental Activities	2,309,164	78,342	307,362	--	(1,923,460)	--	(1,923,460)		
Business-type Activities:									
Water	578,472	624,711	--	--	--	46,239	46,239		
Electric	1,779,137	2,272,441	--	--	--	493,304	493,304		
Sewer	455,293	444,490	--	--	--	(10,803)	(10,803)		
Garbage	219,554	223,530	--	--	--	3,976	3,976		
Total Business-Type Activities	3,032,456	3,565,172	--	--	--	532,716	532,716		
Total Primary Government	\$ 5,341,620	\$ 3,643,514	\$ 307,362	\$ --	(1,923,460)	532,716	(1,390,744)		
Component Units:									
Housing and redevelopment	\$ 848	\$ 14,901						\$ 14,053	
Economic development	\$ 1,951	\$ --							\$ (1,951)
General Revenues:									
Taxes:									
Property tax					1,101,115	--	1,101,115	--	--
Sales tax					865,555	--	865,555	--	--
State shared revenues					113,285	--	113,285	--	--
County shared revenues					7,377	--	7,377	--	--
Unrestricted investment earnings					19,434	2,004	21,438	--	--
Miscellaneous revenue					193,147	40,966	234,113	--	--
Total General Revenues and Transfers					2,299,913	42,970	2,342,883	--	--
Change in Net position					376,453	575,686	952,139	14,053	(1,951)
Net Position-Beginning of Year					5,721,422	11,166,029	16,887,451	44,880	488,849
Net Position-End of Year					\$ 6,097,875	\$ 11,741,715	\$ 17,839,590	\$ 58,933	\$ 486,898

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Balance Sheet – Governmental Funds
December 31, 2022

	<u>General Fund</u>	<u>Safe Routes to School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,245,097	\$ 436,544	\$ 180,730	\$ 1,862,371
Investments	149,581	--	--	149,581
Taxes receivable:				
Delinquent	5,153	--	--	5,153
Accounts receivable	48,265	--	--	48,265
Special assessments receivable				
Current	466	--	--	466
Deferred	4,922	--	--	4,922
Due from state government	634	--	--	634
Supply inventory	6,523	--	--	6,523
Loans receivable	--	--	95,681	95,681
Total Assets	<u>1,460,641</u>	<u>436,544</u>	<u>276,411</u>	<u>2,173,596</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,460,641</u>	<u>\$ 436,544</u>	<u>\$ 276,411</u>	<u>\$ 2,173,596</u>
Liabilities and Fund Balances:				
Accounts payable	\$ 36,139	\$ --	\$ --	\$ 36,139
Accrued wages payable	12,839	--	--	12,839
Accrued benefits payable	5,857	--	--	5,857
Total Liabilities	<u>54,835</u>	<u>--</u>	<u>--</u>	<u>54,835</u>
Deferred Inflows of Resources:				
Property taxes	5,153	--	--	5,153
Special Assessments	5,388	--	--	5,388
Total Deferred Inflows of Resources	<u>10,541</u>	<u>--</u>	<u>--</u>	<u>10,541</u>
Fund Balances:				
Nonspendable				
Inventory	6,523	--	--	6,523
Restricted				
Equipment	31,130	--	255,951	287,081
Library	--	--	20,460	20,460
Assigned				
Capital outlay accumulations	110,000	--	--	110,000
Unassigned	1,247,612	436,544	--	1,684,156
Total Fund Balances	<u>1,395,265</u>	<u>436,544</u>	<u>276,411</u>	<u>2,108,220</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,460,641</u>	<u>\$ 436,544</u>	<u>\$ 276,411</u>	<u>\$ 2,173,596</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 December 31, 2022

Total Fund Balances - Government Funds \$ 2,108,220

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds. 3,885

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,509,218

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 352,041

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	(46,926)	
Direct Borrowing Note	(242,734)	
Government Obligation Bonds	<u>(1,365,000)</u>	(1,654,660)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are not deferred in the funds. 5,153

Special assessments receivable reported in governmental activities is not an available resource and therefore not reported in the funds. 5,388

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (231,370)

Net Position - Governmental Funds \$ 6,097,875

City of Elk Point
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Safe Routes to School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes				
General property taxes	\$ 1,063,038	\$ --	\$ --	\$ 1,063,038
General sales taxes	865,555	--	--	865,555
Amusement taxes	--	--	34,273	34,273
Penalties and interest	--	--	3,804	3,804
Licenses and permits	10,855	--	--	10,855
Intergovernmental revenue				
Federal grants	286,028	--	--	286,028
State shared revenues				
Bank franchise tax	18,872	--	--	18,872
Motor vehicle commercial prorata	12,880	--	--	12,880
Motor vehicles licenses	30,188	--	--	30,188
Local government highway and bridge	21,489	--	--	21,489
Other	29,856	--	--	29,856
County shared revenues	7,377	--	--	7,377
Charges for goods and services				
Health	4,449	--	--	4,449
Culture and recreation	35,838	--	--	35,838
Fines and forfeits				
Court fines and costs	4,857	--	--	4,857
Miscellaneous revenue				
Investment earnings	19,310	--	124	19,434
Rentals	4,200	--	--	4,200
Cemetery	10,425	--	--	10,425
Special assessments	22,773	--	--	22,773
Contributions	172,000	--	--	172,000
Other	16,339	--	--	16,339
Total Revenue	<u>\$ 2,636,329</u>	<u>\$ --</u>	<u>\$ 38,201</u>	<u>\$ 2,674,530</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2022 (Continued)

	<u>General Fund</u>	<u>Safe Routes to School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General government:				
Legislative	\$ 369,739	\$ --	\$ --	\$ 369,739
Public safety:				
Police	461,410	--	--	461,410
Building inspection	2,446	--	--	2,446
Public works:				
Highways and streets	397,862	--	--	397,862
Cemetery	20,636	--	--	20,636
Health and welfare:				
Humane Society	694	--	--	694
Culture and recreation:				
Recreation	114,487	--	--	114,487
Parks	68,112	--	--	68,112
Library	45,566	--	--	45,566
Conservation and development:				
Planning and zoning	140,000	--	--	140,000
Economic development and assistance (industrial development)	91,963	--	84	92,047
Debt service	188,746	--	27,211	215,957
Capital outlay	219,001	908,764	--	1,127,765
Total Expenditures	<u>2,120,662</u>	<u>908,764</u>	<u>27,295</u>	<u>3,056,721</u>
Excess of Revenues Over (Under)				
Expenditures	<u>515,667</u>	<u>(908,764)</u>	<u>10,906</u>	<u>(382,191)</u>
Other Financing Sources:				
Transfers in	--	1,028,058	--	1,028,058
Transfers out	(1,028,058)	--	--	(1,028,058)
Sale of Municipal Property (Land held for resale)	14,819	--	--	14,819
Total Other Financing Sources	<u>(1,013,239)</u>	<u>1,028,058</u>	<u>--</u>	<u>14,819</u>
Net Change in Fund Balance	(497,572)	119,294	10,906	(367,372)
Fund Balances- Beginning of Year	<u>1,892,837</u>	<u>317,250</u>	<u>265,505</u>	<u>2,475,592</u>
Fund Balances - End of Year	<u>\$ 1,395,265</u>	<u>\$ 436,544</u>	<u>\$ 276,411</u>	<u>\$ 2,108,220</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Government Funds \$ (367,372)

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 1,127,765

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (570,498)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or a loss is realized. (25,066)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. 191,590

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 24,228

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (4,194)

Change in Net Position of Governmental Activities \$ 376,453

City of Elk Point
Statement of Net Position – Proprietary Funds
December 31, 2022

	Enterprise Funds			Non-Major	Totals
	Water Fund	Electric Fund	Sewer Fund	Garbage Fund	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 319,505	\$ 1,293,748	\$ 167,752	\$ 202,759	\$ 1,983,764
Investments-certificates of deposit	31,115	892,745	22	47,451	971,333
Accounts receivable, net	1,891	355,801	1,382	740	359,814
Accounts receivable - Surcharge	37,042	185,574	34,512	19,903	277,031
Supply inventory	29,509	152,723	1,664	339	184,235
Total Current Assets	<u>419,062</u>	<u>2,880,591</u>	<u>205,332</u>	<u>271,192</u>	<u>3,776,177</u>
Noncurrent Assets:					
Restricted cash and cash equivalents	81,363	--	124,584	--	205,947
Restricted investments	--	206,975	--	--	206,975
Capital assets:					
Land	16,150	10,000	7,740	119,597	153,487
Buildings	203,703	56,490	22,190	--	282,383
Improvements other than buildings	6,277,877	2,691,129	5,683,546	22,655	14,675,207
Machinery and equipment	597,763	1,267,533	1,124,913	381,331	3,371,540
Accumulated depreciation	(3,248,857)	(1,654,574)	(3,120,076)	(228,271)	(8,251,778)
Total Capital Assets:	<u>3,846,636</u>	<u>2,370,578</u>	<u>3,718,313</u>	<u>295,312</u>	<u>10,230,839</u>
Total Noncurrent Assets	<u>3,927,999</u>	<u>2,577,553</u>	<u>3,842,897</u>	<u>295,312</u>	<u>10,643,761</u>
Total Assets	<u>4,347,061</u>	<u>5,458,144</u>	<u>4,048,229</u>	<u>566,504</u>	<u>14,419,938</u>
Liabilities:					
Current Liabilities:					
Accounts payable	12,277	18,568	3,906	11,083	45,834
Accrued wages and benefits	14,434	24,483	9,785	10,832	59,534
Customer deposits	--	46,843	--	--	46,843
Current portion of long term debt	100,214	--	39,764	--	139,978
Total Current Liabilities	<u>126,925</u>	<u>89,894</u>	<u>53,455</u>	<u>21,915</u>	<u>292,189</u>
Noncurrent Liabilities:					
State Revolving Loans	1,469,738	--	899,215	--	2,368,953
Accrued leave payable	3,592	10,035	2,730	724	17,081
Total Noncurrent Liabilities	<u>1,473,330</u>	<u>10,035</u>	<u>901,945</u>	<u>724</u>	<u>2,386,034</u>
Total Liabilities	<u>1,600,255</u>	<u>99,929</u>	<u>955,400</u>	<u>22,639</u>	<u>2,678,223</u>
Net Position:					
Net investment in capital assets	2,276,684	2,370,578	2,779,334	295,312	7,721,908
Restricted net position restricted for:					
Debt service	81,363	162,291	124,584	--	368,238
Equipment replacement	147,616	186,000	118,500	--	452,116
Customer deposits	--	46,843	--	--	46,843
Unrestricted net position	<u>241,143</u>	<u>2,592,503</u>	<u>70,411</u>	<u>248,553</u>	<u>3,152,610</u>
Total Net Position	<u>\$ 2,746,806</u>	<u>\$ 5,358,215</u>	<u>\$ 3,092,829</u>	<u>\$ 543,865</u>	<u>\$ 11,741,715</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2022

	Enterprise Funds			Non Major	Totals
	Water Fund	Electric Fund	Sewer Fund	Garbage Fund	
Operating Revenues:					
Charges for goods and services	\$ 624,711	\$ 2,100,126	\$ 444,490	\$ 222,219	\$ 3,391,546
Other	--	172,315	--	1,311	173,626
Total Operating Revenues	624,711	2,272,441	444,490	223,530	3,565,172
Operating Expenses:					
Personal services	85,329	151,500	54,111	70,815	361,755
Other current expense	128,369	106,209	104,131	109,230	447,939
Materials	110,915	1,354,828	74,904	18,711	1,559,358
Depreciation	216,058	159,399	206,482	20,798	602,737
Total Operating Expenses	540,671	1,771,936	439,628	219,554	2,971,789
Operating Income (Loss)	84,040	500,505	4,862	3,976	593,383
Nonoperating Revenues:					
Investment earnings	49	1,955	--	--	2,004
Interest expense	(37,801)	(7,201)	(15,665)	--	(60,667)
Gain/Loss on sale of capital assets	--	--	40,966	--	40,966
Total Nonoperating Revenue	(37,752)	(5,246)	25,301	--	(17,697)
Net Income (Loss) Before Contributions	46,288	495,259	30,163	3,976	575,686
Transfers in	--	--	283,500	--	283,500
Transfers out	--	(283,500)	--	--	(283,500)
Net Change in Net Position	46,288	211,759	313,663	3,976	575,686
Net Position - Beginning of Year	2,700,518	5,146,456	2,779,166	539,889	11,166,029
Net Position - End of Year	\$ 2,746,806	\$ 5,358,215	\$ 3,092,829	\$ 543,865	\$ 11,741,715

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Garbage Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:					
Receipt from customers	\$ 656,411	\$ 2,012,386	\$ 466,828	\$ 241,373	\$ 3,376,998
Payments to suppliers	(234,967)	(1,480,653)	(178,831)	(122,964)	(2,017,415)
Payments to employees	(70,593)	(130,478)	(43,518)	(60,762)	(305,351)
Net Cash Provided (Used) by Operating Activities:	<u>350,851</u>	<u>401,255</u>	<u>244,479</u>	<u>57,647</u>	<u>1,054,232</u>
Cash Flows from Noncapital Financial Activities:					
Transfers to other funds	--	(283,500)	283,500	--	--
Net Cash Provided (Used) by Operating Activities:	<u>--</u>	<u>(283,500)</u>	<u>283,500</u>	<u>--</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(177,060)	(8,852)	(510,430)	--	(696,342)
Proceeds from sales of capital assets	--	--	40,966	--	40,966
Proceeds of long term debt	--	--	148,340	--	148,340
Payments on long term debt	(157,830)	(95,000)	(193,084)	--	(445,914)
Debt interest paid	(37,801)	(7,201)	(15,665)	--	(60,667)
Net Cash (Used) by Capital and Related Financing Activities:	<u>(372,691)</u>	<u>(111,053)</u>	<u>(529,873)</u>	<u>--</u>	<u>(1,013,617)</u>
Cash Flows from Investing Activities:					
Interest earnings	49	1,955	--	--	2,004
Net Cash Provided (Used) by Investing Activities	<u>49</u>	<u>1,955</u>	<u>--</u>	<u>--</u>	<u>2,004</u>
Net Increase in Cash and Cash Equivalents	(21,791)	8,657	(1,894)	57,647	42,619
Cash and Cash Equivalents - Beginning of Year	<u>453,774</u>	<u>2,384,811</u>	<u>294,252</u>	<u>192,563</u>	<u>3,325,400</u>
Cash and Cash Equivalents - End of Year	<u>\$ 431,983</u>	<u>\$ 2,393,468</u>	<u>\$ 292,358</u>	<u>\$ 250,210</u>	<u>\$ 3,368,019</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022 (Continued)

Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:

Operating income (loss)	\$ 84,040	\$ 500,505	\$ 4,862	\$ 3,976	\$ 593,383
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Provided by operating activities:					
Depreciation expense	216,058	159,399	206,482	20,798	602,737
(Increase) decrease in:					
Receivables	32,333	(248,498)	22,378	15,999	(177,788)
Inventories	(633)	(11,557)	(40)	1,844	(10,386)
Increase (decrease) in:					
Accounts and other payables	4,317	(19,616)	204	4,977	(10,118)
Accrued wages and leave payable	14,736	18,023	10,593	10,053	53,405
Deposits	--	2,999	--	--	2,999
Cash Flows Provided by Operating Activities	<u>\$ 350,851</u>	<u>\$ 401,255</u>	<u>\$ 244,479</u>	<u>\$ 57,647</u>	<u>\$ 1,054,232</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the City of Elk Point consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility), those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Elk Point, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson, recruits, and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements from the Housing and Redevelopment Commission may be obtained at Elk Point City Hall.

The Elk Point Economic Development Corporation is a legally separate proprietary fund-type, discretely presented component unit. The members of the City Council are members of the corporation along with four additional members elected by the City Council. Separately issued financial statements from the Elk Point Economic Development Corporation may be obtained at Elk Point Housing and Redevelopment Commission, P.O. Box 280, Elk Point, SD 57025.

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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a, above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a, above.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

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

The funds of the City's financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

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.

Safe Routes to School Fund – Safe Routes to School (SRTS) is an approach that promotes walking and bicycling to school through infrastructure improvements, enforcement, tools, safety education, and incentives to encourage walking and bicycling to school. This is a major fund.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

The remaining Special Revenue Funds, the Public Library Fund, the Urban Development Action Grant Fund (UDAG), and the Liquor/Lodging, Dining Sales Tax Fund, are not considered major funds.

Proprietary Funds:

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

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

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96). This is a major fund.

Garbage Fund – financed by user charges, this fund accounts for the construction and operation of the municipal solid waste system and related facilities. This not 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.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

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

Basis of Accounting:

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Elk Point is 30 days. The revenues which are accrued at December 31, 2022 are amounts due from accounts receivable.

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

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

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

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 term to maturity at a date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, machinery, equipment, construction in progress, 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 a significantly greater number of years than most capital assets.

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

Government-Wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend to useful life of a capital asset are also capitalized.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

The total December 31, 2022 balance of governmental activities capital assets includes approximately 3.31% for which the costs were determined by estimates of the original costs. The total December 31, 2022 balance of business-type capital assets are all valued at original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimation thereon.

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

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

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

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
*Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	50 years
Machinery and equipment	4,000	Straight-line	2-20 years
Furniture	2,000	Straight-line	12 years

*Land, an inexhaustible capital asset, is not depreciated

Fund Financial Statements:

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of general obligation bonds, state revolving loans, direct borrowing notes, certificates of participation, notes payable, and compensated absences.

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

h. Leases:

The City is a lessee for noncancellable leases of a community building. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$40,000 in the government wide statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

i. Program Revenues:

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

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

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. Proprietary Funds Revenue and Expense Classifications:

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

l. Cash and Cash Equivalents:

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

m. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “non-spendable,” “restricted,” “committed,” “assigned” and “unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

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

Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the City Council.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Safe Routes to School	Taxes

p. Pensions:

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

2. Violations of Finance-Related Legal and Contractual Provisions:

The City 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.

General Fund	Year Ended 2022
Legislative	\$ 3,124
Humane Society	94

3. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

The City 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 City’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 City funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of December 31, 2022, the City had the following investments, not including certificates of deposits.

Fund	Investments	Credit Rating	Fair Value
	External Investment Pools:		
Various	SDFIT-Government Cash Reserves	Unrated	592,327
	Total Investments		\$ 592,327

City of Elk Point
Notes to the Financial Statements
December 31, 2022

3. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2022, the City did not have any deposits in financial institutions that were exposed to custodial credit risk.

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

Interest Rate Risk – The City does not have a formal investment policy that limits investment securities 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 City’s policy is to credit all income from deposits and investments to the fund making the investment.

4. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Fund</u>	<u>Amount:</u>	<u>Purpose:</u>
Water	\$ 81,363	Debt Services, by debt covenants
Sewer	124,584	Debt Services, by debt covenants
Electric	44,684	Customer Deposits
Electric	162,291	Debt Services, by debt covenants
Total	<u>\$ 412,922</u>	

5. Receivables and Payables:

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

6. Inventory:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-Wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

8. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized				
Land	\$ 33,336	\$ --	\$ --	\$ 33,336
Construction in progress	1,688,989	1,016,417	2,271,092	434,314
Total, not being depreciated/amortized	<u>1,722,325</u>	<u>1,016,417</u>	<u>2,271,092</u>	<u>467,650</u>
Capital assets, being depreciated/amortized				
Buildings	1,173,209	--	--	1,173,209
Improvements	5,878,044	1,953,213	174,109	7,657,148
Machinery & Equipment	1,956,903	422,602	40,117	2,339,388
Library Books	103,289	6,625	--	109,914
Total, being depreciated/amortized	<u>9,111,445</u>	<u>2,382,440</u>	<u>214,226</u>	<u>11,279,659</u>
Less accumulated depreciation/amortization for:				
Buildings	594,953	45,175	--	640,128
Improvements	3,819,570	300,496	149,043	3,971,023
Machinery & Equipment	1,362,555	219,811	40,117	1,542,249
Library Books	79,675	5,016	--	84,691
Total accumulated depreciation/amortization	<u>5,856,753</u>	<u>570,498</u>	<u>189,160</u>	<u>6,238,091</u>
Capital Assets Net	<u>\$ 4,977,017</u>	<u>\$ 2,828,359</u>	<u>\$ 2,296,158</u>	<u>\$ 5,509,218</u>

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 2,326
Public safety	34,755
Public works	364,841
Culture and recreation	168,576
	<u>\$ 570,498</u>

City of Elk Point
Notes to the Financial Statements
December 31, 2022

8. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2022 is as follows: (Continued)

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 153,487	\$ --	\$ --	\$ 153,487
CIP	872,463	--	872,463	--
Total, not being depreciated	<u>1,025,950</u>	<u>--</u>	<u>872,463</u>	<u>153,487</u>
Capital assets, being depreciated/amortized:				
Buildings	276,276	6,107	--	282,383
Improvements	13,227,032	1,448,175	--	14,675,207
Machinery & Equipment	3,257,017	114,523	--	3,371,540
Total, being depreciated/amortized	<u>16,760,325</u>	<u>1,568,805</u>	<u>--</u>	<u>18,329,130</u>
Less accumulated depreciation/amortization for:				
Buildings	265,676	1,556	--	267,232
Improvements	5,439,691	433,339	--	5,873,030
Machinery & Equipment	1,943,674	167,842	--	2,111,516
Total accumulated depreciation/amortization	<u>7,649,041</u>	<u>602,737</u>	<u>--</u>	<u>8,251,778</u>
Capital Assets Net	<u>\$ 10,137,234</u>	<u>\$ 966,068</u>	<u>\$ 872,463</u>	<u>\$ 10,230,839</u>

Depreciation/Amortization expense was charged to functions as follows:

Water	\$ 216,059
Electric	159,399
Sewer	206,481
Solid Waste	<u>20,798</u>
Total Depreciation/Amortization Expense - Business-Type Activities	<u>\$ 602,737</u>

City of Elk Point
Notes to the Financial Statements
December 31, 2022

8. Changes in Capital Assets: (Continued)

Construction Work in Progress at December 31, 2022 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2022</u>	<u>Committed</u>
<u>Governmental</u>			
Pool House & Cart Facility	\$ 434,314	\$ 434,314	\$ --
Total Work in Progress	<u>\$ 434,314</u>	<u>\$ 434,314</u>	<u>\$ --</u>

9. Long-Term Debt:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Government Activities:					
Bonds Payable:					
Government Obligation Bonds	\$ 1,435,000	\$ --	\$ 70,000	\$ 1,365,000	\$ 70,000
Direct Borrowing Note	259,985	--	17,251	242,734	242,734
Bank Notes Payable	104,339	--	104,339	--	--
Total Debt	<u>1,799,324</u>	<u>--</u>	<u>191,590</u>	<u>1,607,734</u>	<u>312,734</u>
Accrued Leave	<u>42,732</u>	<u>35,229</u>	<u>31,035</u>	<u>46,926</u>	<u>46,926</u>
Total Governmental Activities	<u>1,842,056</u>	<u>35,229</u>	<u>222,625</u>	<u>1,654,660</u>	<u>359,660</u>
Business-Type Activities:					
Bonds Payable:					
Certificates of Participation	95,000	--	95,000	--	--
State Revolving Fund Loans	2,711,504	148,340	350,913	2,508,931	139,978
Total Debt	<u>2,806,504</u>	<u>148,340</u>	<u>445,913</u>	<u>2,508,931</u>	<u>139,978</u>
Accrued Leave	<u>14,436</u>	<u>17,081</u>	<u>14,436</u>	<u>17,081</u>	<u>17,081</u>
Total Business-Type Activities	<u>2,820,940</u>	<u>165,421</u>	<u>460,349</u>	<u>2,526,012</u>	<u>157,059</u>
Total Primary Government	<u>\$ 4,662,996</u>	<u>\$ 200,650</u>	<u>\$ 682,974</u>	<u>\$ 4,180,672</u>	<u>\$ 516,719</u>

City of Elk Point
Notes to the Financial Statements
December 31, 2022

9. Long-Term Debt: (Continued)

Debt payable at December 31, 2022, is comprised of the following:

Government Obligation Bonds

Government Obligation Bonds, Series
2020, New Pool

During October, 2020, GO Bonds were issued for \$1,500,000 with a varying interest rate of .6 to 2.1%; matures and final payment due December, 2039. This debt is serviced by the General Fund.

\$ 1,365,000

Total Government Obligation Debt

1,365,000

Direct Borrowing Note:

First Dakota National Bank Note,
Community Center.

During January, 2014, a bank note in the amount of \$376,000 was signed with First Dakota National with a rate of 3.875% fixed; matures and final payment due December 1, 2023. This debt is serviced by the Liquor, Lodging & Dining Fund.

242,734

Accrued Leave Payable

The liability for accrued leave represents leave benefits earned as of December 31, 2022. This debt is serviced by the General Fund.

46,926

Total Governmental Activities Debt

\$ 1,654,660

City of Elk Point
Notes to the Financial Statements
December 31, 2022

9. Long-Term Debt: (Continued)

Business-type Activities:

State Revolving Fund (SRF) Loans:

Series 2004 State Revolving Fund	3.25%; matures July 15, 2026. This debt will be retired by the Water Fund.	\$ 136,910
Series 2009 State Revolving Fund	3.25%; matures January 15, 2030. This debt will be retired by the Sewer Fund.	218,923
Series 2019 State Revolving Fund	3.25%; matures July 15, 2049. This debt will be retired by the Sewer Fund.	127,056
Series 2008 State Revolving Fund	3.25%; matures July 15, 2031. This debt will be retired by the Water Fund.	258,232
Series 2009 State Revolving Fund	3.0%; matures July 15, 2031. This debt will be retired by the Water Fund.	170,367
Series 2019 State Revolving Fund	3.25%; matures July 15, 2049. This debt will be retired by the Water Fund.	535,027
Series 2021 State Revolving Fund	2.5%; matures July 15, 2043. This debt will be retired by the Water Fund.	593,000
Series 2021 State Revolving Fund	2.5%; matures July 15, 2051. This debt will be retired by the Water Fund.	<u>469,416</u>
Total State Revolving Fund Debt		<u>2,508,931</u>
Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2022. This debt is serviced by the proprietary fund making the payroll payment.	<u>17,081</u>
Total Business Activity Debt		<u>\$ 2,526,012</u>
Grand Total		<u><u>\$ 4,180,672</u></u>

City of Elk Point
Notes to the Financial Statements
December 31, 2022

9. Long-Term Debt: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences are as follows:

Government Activities:

Years Ending

Dec. 31,	Government Obligation Bonds		Direct Borrowing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 70,000	\$ 24,214	\$ 242,734	\$ 9,212	\$ 312,734	\$ 33,426
2024	70,000	23,724	--	--	70,000	23,724
2025	70,000	23,234	--	--	70,000	23,234
2026	75,000	22,621	--	--	75,000	22,621
2027	75,000	21,965	--	--	75,000	21,965
2028-2032	390,000	87,025	--	--	390,000	87,025
2033-2037	430,000	46,535	--	--	430,000	46,535
2038-2042	185,000	5,880	--	--	185,000	5,880
Total	<u>\$ 1,365,000</u>	<u>\$ 255,198</u>	<u>\$ 242,734</u>	<u>\$ 9,212</u>	<u>\$ 1,607,734</u>	<u>\$ 264,410</u>

Business-Type Activities:

Years Ending

Dec. 31,	State Revolving Loans	
	Principal	Interest
2023	\$ 139,978	\$ 116,286
2024	157,011	66,678
2025	161,858	61,831
2026	157,123	56,834
2027	186,688	92,085
2028-2032	485,207	201,389
2033-2037	287,630	150,346
2038-2042	330,797	110,433
2043-2047	368,085	60,852
2048-2052	220,607	15,480
2053-2057	13,947	131
Total	<u>\$ 2,508,931</u>	<u>\$ 932,345</u>

City of Elk Point
Notes to the Financial Statements
December 31, 2022

10. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2022 was as follows:

	Governmental Funds	Proprietary Funds	Total
Debt service	\$ --	\$ 368,238	\$ 368,238
Library	20,460	--	20,460
Facility replacement	--	452,116	452,116
Customer deposits	--	46,843	46,843
Promotion of the city	397,081	--	397,081
SDRS pension purposes	124,556	--	124,556
Total	\$ 542,097	\$ 867,197	\$ 1,409,294

These balances are restricted due to grant regulations, debt covenants, and statutory requirements.

11. Interfund Transfers:

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

Transfer from General Fund to Safe Routes to School Fund to cover expenses.	\$ 1,028,058
Transfer from Electric Fund to Sewer Fund for cash needs.	\$ 283,500

12. Pension Plan:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://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.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

12. Pension Plan: (Continued)

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouse of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

12. Pension Plan: (Continued)

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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020 equal to the required contributions each year as follows:

2022	\$	61,793
2021		55,940
2020		53,483

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

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

Proportionate share of pension liability	\$ 5,803,201
Less proportionate share of total pension restricted for pension benefits	<u>5,807,086</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (3,885)</u></u>

At December 31, 2022, the City reported an asset of (\$3,885) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2022, the City's proportion was 0.04110900%, which is an increase of 0.0016180% from its proportion measured as of June 30, 2021.

City of Elk Point
Notes to the Financial Statements
December 31, 2022

12. Pension Plan: (Continued)

For the year ended December 31, 2022 the City recognized a reduction of pension expense of (\$24,229). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 73,955	\$ 252
Changes in assumption	246,922	216,395
Net Difference between projected and actual earnings on pension plan investments	--	9,310
Changes in proportion and difference between City contributions and proportionate share of contributions	--	5,413
City contributions subsequent to the measurement date	31,164	--
Total Revenues	\$ 352,041	\$ 231,370

\$31,164 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2023	\$ 22,265
2024	52,825
2025	(62,252)
2026	76,691
	\$ 89,529

Actuarial Assumptions:

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%
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%

City of Elk Point
Notes to the Financial Statements
December 31, 2022

12. Pension Plan: (Continued)

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

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

Others: PubG-2010 disabled member 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, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

City of Elk Point
Notes to the Financial Statements
December 31, 2022

12. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see 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>Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current 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 to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.50 percent, as well as what the City'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>
City's proportionate share of the net pension liability (asset)	\$ 806,697	\$ (3,885)	\$ (666,344)

Pension Plan Fiduciary Net Position:

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

13. Joint Ventures:

The Community Center Financing (Capital Acquisition) Direct Borrowing Note represents a joint venture between the City of Elk Point and the Recreation Development Association (RDA). The City of Elk Point entered into an agreement with the RDA for the purpose of constructing a building for joint use between the City and the RDA. The financing lease represents the amount of investment the city has in the joint venture.

14. Risk Management:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2022, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

Worker's Compensation:

The City joined the South Dakota Municipal League 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance, which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

City of Elk Point
Notes to the Financial Statements
December 31, 2022

14. Risk Management: (Continued)

Unemployment Benefits:

The city has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2022, no claims were filed for unemployment benefits and no claims were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. Significant Contingencies-Litigation:

At December 31, 2022, the City of Elk Point was not involved in any litigation.

Required Supplementary Information

City of Elk Point
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 879,900	\$ 879,900	\$ 1,063,038	\$ 183,138
General sales and use tax	700,000	700,000	865,555	165,555
Amusement tax	200	200	--	(200)
Licenses and permits	9,950	9,950	10,855	905
Intergovernmental:				
Federal grants	114,958	114,958	286,028	171,070
State shared revenues				
Bank franchise tax	12,500	12,500	18,872	6,372
Motor vehicle commercial prorate	12,380	12,380	12,880	500
Motor vehicle licenses (5%)	26,000	26,000	30,188	4,188
Local government highway and bridge fund	15,000	15,000	21,489	6,489
Other	24,000	24,000	29,856	5,856
County Shared Revenue:				
County road tax (25%)	6,000	6,000	7,377	1,377
Charges for Goods and Services:				
General government	5,500	5,500	--	(5,500)
Health	1,200	1,200	4,449	3,249
Culture and recreation	30,200	30,200	35,838	5,638
Fines and Forfeits:				
Court fines and costs	1,250	1,250	4,857	3,607
Miscellaneous Revenue:				
Investment earnings	10,000	10,000	19,310	9,310
Rentals	3,600	3,600	4,200	600
Cemetery	8,000	8,000	10,425	2,425
Special assessments	6,200	6,200	22,773	16,573
Contributions and donations	172,000	172,000	172,000	--
Other	16,730	16,730	16,339	(391)
Total Revenues	<u>\$ 2,055,568</u>	<u>\$ 2,055,568</u>	<u>\$ 2,636,329</u>	<u>\$ 580,761</u>

City of Elk Point
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures				
General Government:				
Legislative	\$ 366,615	\$ 366,615	\$ 369,739	\$ (3,124)
Public Safety:				
Police	508,930	508,930	506,058	2,872
Building inspection	6,600	6,600	2,446	4,154
Public Works:				
Highways and streets	613,625	613,625	529,475	84,150
Cemeteries	58,125	58,125	36,851	21,274
Health and Welfare:				
Health	3,050	3,050	--	3,050
Humane Society	600	600	694	(94)
Culture and Recreation:				
Recreation	115,880	115,880	114,487	1,393
Parks	91,775	91,775	88,012	3,763
Libraries	54,305	54,305	52,191	2,114
Museums	2,760	2,760	--	2,760
Conservation and Development:				
Planning and Zoning	140,000	172,000	140,000	32,000
Economic Development and Assistance	103,525	103,525	91,963	11,562
Debt Service	188,900	251,900	188,746	63,154
Total Expenditures	<u>2,254,690</u>	<u>2,349,690</u>	<u>2,120,662</u>	<u>229,028</u>
Excess of Revenues Over Expenditures	<u>(199,122)</u>	<u>(294,122)</u>	<u>515,667</u>	<u>809,789</u>
Other Financing Sources:				
Transfers (out)	--	--	(1,028,058)	(1,028,058)
Sale of Municipal Property	52,000	52,000	14,819	(37,181)
Total Other Financing Sources	<u>52,000</u>	<u>52,000</u>	<u>(1,013,239)</u>	<u>(1,065,239)</u>
Net Changes in Fund Balance	(147,122)	(242,122)	(497,572)	(255,450)
Fund Balance, Beginning of Year	<u>1,892,837</u>	<u>1,892,837</u>	<u>1,892,837</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,745,715</u>	<u>\$ 1,650,715</u>	<u>\$ 1,395,265</u>	<u>\$ (255,450)</u>

City of Elk Point

Budgetary Comparison Schedules-Budgetary Basis – Safe Routes to School Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government:				
Public Works:				
Highways and streets	\$ 1,028,058	\$ 1,028,058	\$ 908,764	\$ 119,294
Total Expenditures	<u>1,028,058</u>	<u>1,028,058</u>	<u>908,764</u>	<u>119,294</u>
Excess of Revenues Over Expenditures	<u>(1,028,058)</u>	<u>(1,028,058)</u>	<u>(908,764)</u>	<u>119,294</u>
Other Financing Sources:				
Transfers in	<u>1,028,058</u>	<u>1,028,058</u>	<u>1,028,058</u>	<u>--</u>
Total Other Financing Sources	<u>1,028,058</u>	<u>1,028,058</u>	<u>1,028,058</u>	<u>--</u>
Net Changes in Fund Balance	--	--	119,294	119,294
Fund Balance, Beginning of Year	<u>317,250</u>	<u>317,250</u>	<u>317,250</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ 317,250</u></u>	<u><u>\$ 317,250</u></u>	<u><u>\$ 436,544</u></u>	<u><u>\$ 119,294</u></u>

City of Elk Point
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
For the Year Ended December 31, 2022

Note 1. Budgets and Budgetary Accounting:

The City follows 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/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, 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/City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/City Commission.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified accrual basis of accounting 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 Revenues, 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.

City of Elk Point
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Years Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.0411090%	0.0394910%	0.0410665%	0.0385403%	0.0358362%	0.0408801%	0.0424054%	0.0446729%	0.0456160%
City's proportionate share of net pension liability (asset)	\$ (3,885)	\$ (302,433)	\$ (1,784)	\$ (4,084)	\$ (836)	\$ (3,710)	\$ 143,241	\$ (189,471)	\$ (190,356)
City's covered-employee payroll	<u>894,838</u>	<u>830,094</u>	<u>824,307</u>	<u>745,043</u>	<u>778,281</u>	<u>719,803</u>	<u>743,912</u>	<u>755,309</u>	<u>753,339</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.43%	-36.43%	-0.22%	-0.55%	-0.11%	-0.52%	19.26%	-25.09%	-25.27%
Plan fiduciary net position as a percentage of the total pension benefit	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Elk Point
Schedule of the City's Contributions (SDRS)
As of December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 61,793	\$ 55,940	\$ 53,483	\$ 48,115	\$ 50,212	\$ 46,189	\$ 47,793	\$ 48,861
Contributions in relation to the contractually required contribution	<u>61,793</u>	<u>55,940</u>	<u>53,483</u>	<u>48,115</u>	<u>50,212</u>	<u>46,189</u>	<u>47,793</u>	<u>48,861</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 937,007	\$ 856,423	\$ 824,307	\$ 745,043	\$ 778,281	\$ 719,803	\$ 743,912	\$ 755,309
Contributions as a percentage of covered-employee payroll	6.59%	6.53%	6.49%	6.46%	6.45%	6.42%	6.42%	6.47%

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Elk Point

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31,

Changes from Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes:

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) 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%.

City of Elk Point

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31, (Continued)

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part other reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Supplementary Information

City of Elk Point
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	Library Fund	UDAG Fund	Liquor/Lodging Dining Sales Tax Fund	
Assets:				
Cash and cash equivalents	\$ 20,460	\$ 71,596	\$ 88,674	\$ 180,730
Loans receivable	--	95,681	--	95,681
Total Assets	<u>20,460</u>	<u>167,277</u>	<u>88,674</u>	<u>276,411</u>
Liabilities and Fund Balances:				
Fund Balances:				
Restricted	20,460	167,277	88,674	276,411
Total Fund Balances	<u>20,460</u>	<u>167,277</u>	<u>88,674</u>	<u>276,411</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 20,460</u>	 <u>\$ 167,277</u>	 <u>\$ 88,674</u>	 <u>\$ 276,411</u>

City of Elk Point
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2022

	<u>Special Revenue</u>			Total Governmental Funds
	<u>Library Fund</u>	<u>UDAG Fund</u>	<u>Liquor/Lodging Dining Sales Tax Fund</u>	
Revenues:				
Taxes				
Utility taxes	\$ --	\$ --	\$ 34,273	\$ 34,273
Penalties and interest	--	3,804	--	3,804
Miscellaneous revenue				
Investment earnings	--	124	--	124
Total Revenue	<u>--</u>	<u>3,928</u>	<u>34,273</u>	<u>38,201</u>
Expenditures:				
Current:				
Conservation and development:				
Economic development and assistance (industrial development)	\$ --	\$ 84	\$ --	\$ 84
Debt service	--	--	27,211	27,211
Total Expenditures	<u>--</u>	<u>84</u>	<u>27,211</u>	<u>27,295</u>
Net Change in Fund Balance	<u>--</u>	<u>3,844</u>	<u>7,062</u>	<u>10,906</u>
Fund Balances- Beginning of Year	<u>20,460</u>	<u>163,433</u>	<u>81,612</u>	<u>265,505</u>
Fund Balances - End of Year	<u>\$ 20,460</u>	<u>\$ 167,277</u>	<u>\$ 88,674</u>	<u>\$ 276,411</u>