

CITY OF ELKTON  
ELKTON, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2022  
WITH INDEPENDENT AUDITOR'S REPORTS

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

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

CITY OF ELKTON  
ELKTON, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2022

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

# INDEPENDENT AUDIT SERVICES, PC

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Madison, South Dakota 57042  
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Governing Board  
City of Elkton  
Elkton, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Financial Statement Audit:*

I have audited the accompanying financial statements of governmental activities, business-type activities and each major fund of the City of Elkton (City), Brookings County, South Dakota as of December 31, 2022, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

### *Qualified Opinions:*

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, and each major fund of the City of Elkton, Brookings County, South Dakota as of December 31, 2022, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting.

### *Basis for Qualified Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Elkton, Brookings County, South Dakota and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinions.

### *Matter Giving Rise to Qualified Opinions:*

Separate 2021 records kept by the ambulance department of \$11,244 in receipts and \$13,813 in disbursements were not available.

Separate 2022 records kept by the ambulance department of \$6,464 in receipts and \$7,844 in disbursements were not available.

Separate 2021 records kept by the fire department of \$73,237 in receipts and \$47,411 in disbursements were not available.

Separate 2022 records kept by the fire department of \$471,609 in receipts (which includes a \$400,000 grant from Brookings County) and \$461,679 in disbursements were not available.

Activity of the construction checking account was not posted to the general ledger. In 2021 this included \$2,639,317.76 of receipts and \$2,606,499.56 of disbursements. In 2022 this included \$1,610,328.60 of receipts and \$1,483,137.00 of disbursements. This activity is in the water and sewer funds.

The City created a Housing and Redevelopment Commission under the authority of SDCL 11-7-7. This Commission is not active and there is no financial information to report.

*Responsibilities of Management for the Financial Statements:*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Elkton'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 Responsibility for the Audit of the Financial Statements:*

My 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 my 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 generally accepted auditing standards will 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkton'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Elkton's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*Other Matters - Basis of Accounting:*

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

*Supplementary Information (no opinion):*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 31 and 35), the City's Proportionate Share of Net Pension (Asset)/Liability (page 36), and the Schedule of the City's Contribution (page 36) be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

*Supplementary Information (opinion):*

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

The schedule of changes in long-term liabilities (page 29 and 30) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

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

In my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinions" paragraph above, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 22, 2024 (page 39) on my consideration of City Elkton's internal control over financial reporting and on my 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 my 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 of Elkton'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 of Elkton's internal control over financial reporting and compliance.

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

August 22, 2024

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and "E".

CITY OF ELKTON

STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2022

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	1,609,156	290,214	1,899,370
Certificate of deposit	219,747		219,747
Restricted cash	84,577	309,114	393,691
<b>Total assets</b>	<b>1,913,480</b>	<b>599,328</b>	<b>2,512,808</b>
<b>NET POSITION:</b>			
Restricted for:			
Revolving loan	64,601		64,601
Library	1,955		1,955
TIF #3 developer repayment	18,021		18,021
Rural Development debt service		17,793	17,793
SRF debt service		25,033	25,033
Construction		266,288	266,288
Unrestricted	1,828,903	290,214	2,119,117
<b>Total net position</b>	<b>1,913,480</b>	<b>599,328</b>	<b>2,512,808</b>

See accompanying notes.

CITY OF ELKTON  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2022

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
General government	156,298	3,256			-153,042		-153,042
Public safety	514,899	88,387		400,000	-26,512		-26,512
Public works	181,873	59,385	66,380		-56,108		-56,108
Health and welfare	14,723	6,464	1,000		-7,259		-7,259
Culture and recreation	40,943	1,050			-39,893		-39,893
Debt service	64,786	0			-64,786		-64,786
<b>Total governmental activities</b>	<b>973,522</b>	<b>158,542</b>	<b>67,380</b>	<b>400,000</b>	<b>-347,600</b>	<b>0</b>	<b>-347,600</b>
<i>Business-type activities:</i>							
Liquor	415,269	465,930				50,661	50,661
Water	782,931	198,583				-584,348	-584,348
Sewer	1,176,647	186,584		820,204		-169,859	-169,859
<b>Total business-type activities</b>	<b>2,374,847</b>	<b>851,097</b>	<b>0</b>	<b>820,204</b>	<b>0</b>	<b>-703,546</b>	<b>-703,546</b>
<b>Total primary government</b>	<b>3,348,369</b>	<b>1,009,639</b>	<b>67,380</b>	<b>1,220,204</b>	<b>-347,600</b>	<b>-703,546</b>	<b>-1,051,146</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					335,253		335,253
Sales taxes					331,680		331,680
State shared receipts					51,574		51,574
County shared receipts					6,862		6,862
Interest received					8,633	60	8,693
Rents and franchise fees					6,963		6,963
Revolving loan payments					4,700		4,700
Donations					200		200
Miscellaneous receipts					12,357		12,357
Sale of surplus property					2,500		2,500
SRF Loan proceeds					0	801,843	801,843
<b>Total general receipts</b>					<b>760,722</b>	<b>801,903</b>	<b>1,562,625</b>
<b>Change in net position</b>					<b>413,122</b>	<b>98,357</b>	<b>511,479</b>
<b>Net position:</b>							
January 1, 2022					1,500,358	500,971	2,001,329
December 31, 2022					1,913,480	599,328	2,512,808

See accompanying notes.



CITY OF ELKTON  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
General government	141,271	1,026			-140,245		-140,245
Public safety	96,853	89,655			-7,198		-7,198
Public works	161,131	55,999	69,515		-35,617		-35,617
Health and welfare	21,164	11,244	707		-9,213		-9,213
Culture and recreation	34,550	1,173			-33,377		-33,377
Debt service	56,785				-56,785		-56,785
<b>Total governmental activities</b>	<b>511,754</b>	<b>159,097</b>	<b>70,222</b>	<b>0</b>	<b>-282,435</b>	<b>0</b>	<b>-282,435</b>
<i>Business-type activities:</i>							
Liquor	390,267	431,831				41,564	41,564
Water	820,109	205,776				-614,333	-614,333
Sewer	1,933,048	203,323		1,407,473		-322,252	-322,252
<b>Total business-type activities</b>	<b>3,143,424</b>	<b>840,930</b>	<b>0</b>	<b>1,407,473</b>	<b>0</b>	<b>-895,021</b>	<b>-895,021</b>
<b>Total primary government</b>	<b>3,655,178</b>	<b>1,000,027</b>	<b>70,222</b>	<b>1,407,473</b>	<b>-282,435</b>	<b>-895,021</b>	<b>-1,177,456</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					310,350		310,350
Sales taxes					299,690		299,690
State shared receipts					49,829		49,829
County shared receipts					6,781		6,781
Interest received					4,072	18	4,090
Rents and franchise fees					9,005		9,005
Revolving loan payments					4,700		4,700
Miscellaneous receipts					11,393		11,393
SRF Loan proceeds					0	1,231,845	1,231,845
<b>Total general receipts</b>					<b>695,820</b>	<b>1,231,863</b>	<b>1,927,683</b>
<b>Change in net position</b>					<b>413,385</b>	<b>336,842</b>	<b>750,227</b>
<b>Net position:</b>							
January 1, 2021					1,061,859	100,468	1,162,327
Prior year cash adjustment					88,775		88,775
Prior year cash allocation adjustment					-63,661	63,661	0
January 1, 2021, adjusted					<b>1,086,973</b>	<b>164,129</b>	<b>1,251,102</b>
December 31, 2021					<b>1,500,358</b>	<b>500,971</b>	<b>2,001,329</b>

See accompanying notes.

CITY OF ELKTON

BALANCE SHEET -- MODIFIED CASH BASIS  
 ALL GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2022

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
<b>ASSETS:</b>						
Cash and cash equivalents	1,100,905	527,573		-19,322		1,609,156
Certificate of deposit		219,747				219,747
Restricted cash	64,601		1,955		18,021	84,577
<b>Total assets</b>	<b>1,165,506</b>	<b>747,320</b>	<b>1,955</b>	<b>-19,322</b>	<b>18,021</b>	<b>1,913,480</b>
<b>FUND BALANCE (DEFICIT):</b>						
Nonspendable						0
Restricted	64,601		1,955		18,021	84,577
Committed		747,320				747,320
Assigned	286,232					286,232
Unassigned	814,673			-19,322		795,351
<b>Total fund balances</b>	<b>1,165,506</b>	<b>747,320</b>	<b>1,955</b>	<b>-19,322</b>	<b>18,021</b>	<b>1,913,480**</b>

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

See accompanying notes.

CITY OF ELKTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2022

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
<b>Receipts:</b>						
<b>Local sources:</b>						
Ad valorem taxes	271,520			5,607	58,126	335,253
General sales taxes	165,840	165,840				331,680
Licenses and permits:	3,056					3,056
<b>Intergovernmental:</b>						
Federal revenue: Covid	66,380					66,380
<b>State shared revenue:</b>						
Grant - mosquito	1,000					1,000
Bank franchise tax	5,993					5,993
Port of entry	1,443					1,443
Liquor tax revision	5,291					5,291
5% Motor vehicle license	9,924					9,924
Highway and bridge	28,923					28,923
County shared revenue	406,862					406,862
<b>Charges for goods and services:</b>						
General government	100					100
Fire services	88,287					88,287
Ambulance	6,464					6,464
Sanitation	57,997					57,997
Special assessment	1,388					1,388
Culture and recreation			1,000			1,000
Fines and forfeits:	250					250
<b>Miscellaneous:</b>						
Interest received	5,907	2,693			33	8,633
Rents and franchise	6,963					6,963
Revolving loan payments	4,700					4,700
Donations	200					200
Other	12,357					12,357
<b>Total receipts</b>	<b>1,150,845</b>	<b>168,533</b>	<b>1,000</b>	<b>5,607</b>	<b>58,159</b>	<b>1,384,144</b>
<b>Disbursements:</b>						
<b>Current:</b>						
<b>General government:</b>						
Mayor and Council	23,938					23,938
Elections	30					30
Financial administration	109,313					109,313
Government buildings	23,017					23,017
<b>Public safety:</b>						
Police	34,737					34,737
Fire	50,354					50,354
Protective inspection	3,328					3,328
<b>Public works:</b>						
Highways and streets	125,519					125,519
Sanitation	56,354					56,354
<b>Health and welfare:</b>						
West Nile	3,254					3,254
Ambulance	11,469					11,469
<b>Culture and recreation:</b>						
Parks and recreation	19,623					19,623
Library	20,411		909			21,320
Debt service - principal				6,462	24,422	30,884
- interest				1,324	32,578	33,902
Capital outlay	426,480					426,480
<b>Total disbursements</b>	<b>907,827</b>	<b>0</b>	<b>909</b>	<b>7,786</b>	<b>57,000</b>	<b>973,522</b>
<b>Excess of receipts over (under) disbursements</b>	<b>243,018</b>	<b>168,533</b>	<b>91</b>	<b>-2,179</b>	<b>1,159</b>	<b>410,622</b>
<b>Other financing sources (uses):</b>						
Sale of surplus property	2,500					2,500
<b>Net change in fund balance</b>	<b>245,518</b>	<b>168,533</b>	<b>91</b>	<b>-2,179</b>	<b>1,159</b>	<b>413,122**</b>
<b>Fund balance (deficit):</b>						
January 1, 2022	919,988	578,787	1,864	-17,143	16,862	1,500,358
December 31, 2022	1,165,506	747,320	1,955	-19,322	18,021	1,913,480

\*\* Equals change in net position on  
Statement of Activities  
See accompanying notes.

CITY OF ELKTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	2nd Cent Sales Tax Fund	Library Fund	TIF #2 Debt Service Fund	Kinner TIF #3 Debt Service Fund	Total
<b>Receipts:</b>						
<b>Local sources:</b>						
Ad valorem taxes	250,949			5,727	53,674	310,350
General sales taxes	149,845	149,845				299,690
Licenses and permits:	926					926
<b>Intergovernmental:</b>						
Federal revenue: Covid	69,515					69,515
<b>State shared revenue:</b>						
Grant - mosquito	707					707
Bank franchise tax	4,660					4,660
Port of entry	1,442					1,442
Liquor tax revision	5,429					5,429
5% Motor vehicle license	9,605					9,605
Highway and bridge	28,693					28,693
County shared revenue	6,781					6,781
<b>Charges for goods and services:</b>						
Fire services	89,655					89,655
Ambulance	11,244					11,244
Sanitation	55,158					55,158
Special assessment	841					841
Culture and recreation	475		698			1,173
Fines and forfeits:	100					100
<b>Miscellaneous:</b>						
Interest received	1,369	2,692			11	4,072
Rents and franchise	9,005					9,005
Revolving loan payments	4,700					4,700
Donations						0
Other	11,393					11,393
<b>Total receipts</b>	<b>712,492</b>	<b>152,537</b>	<b>698</b>	<b>5,727</b>	<b>53,685</b>	<b>925,139</b>
<b>Disbursements:</b>						
<b>Current:</b>						
<b>General government:</b>						
Mayor and Council	21,679					21,679
Elections	24					24
Financial administration	100,210					100,210
Government buildings	19,358					19,358
<b>Public safety:</b>						
Police	34,430					34,430
Fire	59,009					59,009
Protective inspection	3,414					3,414
<b>Public works:</b>						
Highways and streets	90,296					90,296
Sanitation	53,194					53,194
<b>Health and welfare:</b>						
West Nile	2,484					2,484
Ambulance	18,680					18,680
<b>Culture and recreation:</b>						
Parks and recreation	15,068					15,068
Library	18,425		1,057			19,482
<b>Debt service - principal</b>						
- interest				6,139	12,855	18,994
				1,646	36,145	37,791
Capital outlay		17,641				17,641
<b>Total disbursements</b>	<b>436,271</b>	<b>17,641</b>	<b>1,057</b>	<b>7,785</b>	<b>49,000</b>	<b>511,754</b>
<b>Excess of receipts over (under) disbursements</b>	<b>276,221</b>	<b>134,896</b>	<b>-359</b>	<b>-2,058</b>	<b>4,685</b>	<b>413,385</b>
<b>Other financing sources (uses):</b>						
None						0
<b>Net change in fund balance</b>	<b>276,221</b>	<b>134,896</b>	<b>-359</b>	<b>-2,058</b>	<b>4,685</b>	<b>413,385**</b>
<b>Fund balance (deficit):</b>						
January 1, 2021	618,653	443,891	2,223	-15,085	12,177	1,061,859
Prior year cash adjustment	88,775					88,775
Prior year cash allocation adjust:	-63,661					-63,661
January 1, 2021, adjusted	643,767	443,891	2,223	-15,085	12,177	1,086,973
December 31, 2021	919,988	578,787	1,864	-17,143	16,862	1,500,358

\*\* Equals change in net position on  
Statement of Activities  
See accompanying notes.

CITY OF ELKTON

STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2022

	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalent	321,283	42,926	-73,995	290,214
Restricted cash		124,346	184,768	309,114
	-----	-----	-----	-----
<b>Total assets</b>	<b>321,283</b>	<b>167,272</b>	<b>110,773</b>	<b>599,328</b>
	=====	=====	=====	=====
 <b>NET POSITION</b>				
Restricted - debt service		17,793	25,033	42,826
Restricted - construction		106,553	159,735	266,288
Unrestricted	321,283	42,926	-73,995	290,214
	-----	-----	-----	-----
<b>Total net position</b>	<b>321,283</b>	<b>167,272</b>	<b>110,773</b>	<b>599,328</b>
	=====	=====	=====	=====

See accompanying notes.

CITY OF ELKTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2022  
 FOR THE YEAR ENDING DECEMBER 31, 2021

	2022				2021			
	Liquor Fund	Water Fund	Sewer Fund	Total	Liquor Fund	Water Fund	Sewer Fund	Total
<b>Operating receipts:</b>								
Charges for goods and services	422,267	198,583	186,584	807,434	386,751	205,776	203,323	795,850
Video lottery sales, net	43,663			43,663	45,080			45,080
<b>Total operating receipts</b>	<b>465,930</b>	<b>198,583</b>	<b>186,584</b>	<b>851,097</b>	<b>431,831</b>	<b>205,776</b>	<b>203,323</b>	<b>840,930</b>
<b>Operating disbursements:</b>								
Personal services	90,762	46,281	43,051	180,094	88,184	43,123	40,598	171,905
Other current services	39,919	19,691	17,829	77,439	35,505	12,523	33,762	81,790
Cost of goods sold	256,813	53,287		310,100	248,213	49,547		297,760
Capital assets	27,775	587,065	1,038,941	1,653,781	18,365	697,883	1,833,655	2,549,903
<b>Total operating disbursements</b>	<b>415,269</b>	<b>706,324</b>	<b>1,099,821</b>	<b>2,221,414</b>	<b>390,267</b>	<b>803,076</b>	<b>1,908,015</b>	<b>3,101,358</b>
Excess operating receipts (disbursements)	50,661	-507,741	-913,237	-1,370,317	41,564	-597,300	-1,704,692	-2,260,428
<b>Nonoperating receipts (disbursements):</b>								
Grants			820,204	820,204			1,407,473	1,407,473
SRF loan proceeds		607,095	194,748	801,843		697,883	533,962	1,231,845
Interest received		60		60		18		18
Loan pymts - principal		-6,390	-18,636	-25,026		-6,100	-18,087	-24,187
- interest		-44,347	-54,360	-98,707		-10,933	-6,946	-17,879
- issue costs		-25,870	-3,830	-29,700				0
<b>Total nonoperating receipts (disbu)</b>	<b>0</b>	<b>530,548</b>	<b>938,126</b>	<b>1,468,674</b>	<b>0</b>	<b>680,868</b>	<b>1,916,402</b>	<b>2,597,270</b>
<b>Change in net position</b>	<b>50,661</b>	<b>22,807</b>	<b>24,889</b>	<b>98,357</b>	<b>41,564</b>	<b>83,568</b>	<b>211,710</b>	<b>336,842</b>
<b>Net position:</b>								
January 1, 2021					229,058	-2,764	-125,826	100,468
Prior year cash allocation adjustment						63,661		63,661
<b>January 1, 2021, adjusted</b>					<b>229,058</b>	<b>60,897</b>	<b>-125,826</b>	<b>164,129</b>
December 31, 2021	270,622	144,465	85,884	500,971	270,622	144,465	85,884	500,971
December 31, 2022	321,283	167,272	110,773	599,328				

See accompanying notes.

CITY OF ELKTON

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2022  
 FOR THE YEAR ENDING DECEMBER 31, 2021

	2022				2021			
	Liquor Fund	Water Fund	Sewer Fund	Total	Liquor Fund	Water Fund	Sewer Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	465,930	198,583	186,584	851,097	431,831	205,776	203,323	840,930
Payments to employees	-90,762	-46,281	-43,051	-180,094	-88,184	-43,123	-40,598	-171,905
Payments to suppliers	-296,732	-72,978	-17,829	-387,539	-283,718	-62,070	-33,762	-379,550
Payments for capital assets	-27,775	-587,065	-1,038,941	-1,653,781	-18,365	-697,883	-1,833,655	-2,549,903
Net cash provided (used) by operating activities	50,661	-507,741	-913,237	-1,370,317	41,564	-597,300	-1,704,692	-2,260,428
Noncapital financing activities:								
None				0				0
Capital financing activities:								
Grants			820,204	820,204			1,407,473	1,407,473
SRF loan proceeds		607,095	194,748	801,843		697,883	533,962	1,231,845
Loan pymts - principal		-6,390	-18,636	-25,026		-6,100	-18,087	-24,187
- interest		-44,347	-54,360	-98,707		-10,933	-6,946	-17,879
- issue costs		-25,870	-3,830	-29,700				0
Investing activities:								
Interest received		60		60		18		18
Net increase (decrease) in cash and cash equivalents	50,661	22,807	24,889	98,357	41,564	83,568	211,710	336,842
Cash and cash equivalents:								
January 1, 2021					229,058	-2,764	-125,826	100,468
Prior year cash allocation adjustment						63,661		63,661
January 1, 2021, adjusted					229,058	60,897	-125,826	164,129
December 31, 2021	270,622	144,465	85,884	500,971	270,622	144,465	85,884	500,971
December 31, 2022	321,283	167,272	110,773	599,328				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	50,661	-507,741	-913,237	-1,370,317	41,564	-597,300	-1,704,692	-2,260,428
Net cash provided (used) by operating activities	50,661	-507,741	-913,237	-1,370,317	41,564	-597,300	-1,704,692	-2,260,428
Noncash investing, capital and financing activities: None								
See accompanying notes.								

CITY OF ELKTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

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

The City's officials at December 31, 2022 are:

Governing Board:	Finance Officer:
Charles Remund, Mayor	Susan Schuurman
Greg Nelson, President	Attorney:
Jordan Beck	Steven Britzman
David Bierman	
Bill Kuehl	
Tal Farnham	
Scott Stuefen	

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

Financial Reporting Entity:

Primary Government: - The City of Elkton  
Component Unit: - Elkton Housing & Redevelopment Commission (not reported)

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

The reporting entity of the City of Elkton consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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



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

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

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

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

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

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

#### Governmental Funds

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

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

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

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

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

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

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

#### Enterprise Funds (Business-Type)

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

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

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

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

#### Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Elkton has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

Basis of Accounting

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

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

d. Cash and Cash Equivalents:

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

The City's certificates of deposit (if any) with a maturity of more than three months when purchased are not considered a cash equivalent for the statement of cash flows.

Under the modified cash basis of accounting, investments are carried at cost.

e. Interfund Transactions:

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

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in three categories, as follows:

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

General Receipts:

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

g. Enterprise Fund Receipt Classifications:

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

h. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

*Fund Financial Statements:*

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

i. Fund Balance Classification Policies and Procedures:

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

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

The City of Elkton's fund balance classifications are:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	General - Revolving Loan	Grant Agreement	64,601
	Library	Statute	1,955
	TIF #3	Developer Agreement	18,021
Committed	2nd Cent	Ordinance	747,320
Assigned	Ambulance	Finance officer	30,300
	Fire	Finance officer	255,932
Unassigned	General		814,673
	TIF #2		(19,322)
		-----	
			1,913,480

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

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

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

Special Revenue Fund:	Purpose:	Revenue Source:
* 2nd Cent Sales Tax	Receive sales taxes	See page 9 and 10
* Library	Receive fines and gifts	See page 9 and 10

j. Application of Net Position:

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

2022: General fund - Public Safety/Fire (fire truck)	458,334
General fund - Health and Welfare/West Nile	954
General fund - Health and Welfare/Ambulance	4,359
2021: General fund - Public Safety/Fire	40,509
General fund - Health and Welfare/West Nile	484
General fund - Health and Welfare/Ambulance	11,580
2nd Cent - Public Works/Streets	17,641
Library fund - Library	57

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

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2022 were as follows: Insured \$500,000, Collateralized \*\* \$2,005,162 for a total of \$2,505,162.

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

The carrying amount of these deposits and \$7,575 of petty cash at December 31, 2022 was \$2,424,033.

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

#### 4. INVESTMENTS AND RISKS

In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

During the two years ending December 31, 2022 the City had no investments.

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

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

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2022, the City's deposits in financial institutions were not exposed to custodial deposit risks.

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the deposit or investment. The City's policy is to credit all income from deposits and investments to the general fund except for interest on deposits related to debt service.

#### 5. RESTRICTED CASH

Restricted cash amounts, which can only be used for a specific purpose and cannot be used to pay other current liabilities, at December 31, 2022 are:

Purpose:	Governmental	Business-Type
General fund - Revolving loan balance	64,601	
Library fund - Library fines	1,955	
TIF #3 fund - Reimburse developer	18,021	
Water fund - Rural Development debt service		17,793
Sewer fund - SRF debt service		25,033
Water fund - Construction		106,553
Sewer fund - Construction		159,735
	-----	-----
Total Restricted Cash	84,577	309,114

6. RESTRICTED NET POSITION

Net position restricted for specific purposes are as follows:

Purpose:	Governmental	Business-Type
General fund - Revolving loan balance	64,601	
Library fund - Library fines	1,955	
TIF #3 fund - Reimburse developer	18,021	
Water fund - Rural Development debt service		17,793
Sewer fund - SRF debt service		25,033
Water fund - Construction		106,553
Sewer fund - Construction		159,735
	-----	-----
Total Restricted Cash	84,577	309,114

7. LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 29 AND 30. The City did not have any short-term or conduit debt in 2021 or 2022.

8. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure 2002 Water Revenue Bonds which have a remaining balance of \$217,673 at December 31, 2022. This debt was incurred to cover the cost of water improvements. The bonds will mature in 2042. In 2022 these bonds had pledged revenue of \$79,324 and total payments of \$17,033. See page 29.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure 2010 Sewer Revenue Bonds which have a remaining balance of \$201,551 at December 31, 2022. This debt was incurred to cover the cost of sewer improvements. The bonds will mature in 2032. In 2022 this debt had pledged revenue of \$125,704 and total payments of \$25,033. See page 29.

9. INTERFUND TRANSFERS

In 2021 and 2022 there were no inter fund transfers.

10. DEFICIT FUND BALANCE:

At December 31, 2022 the TIF #2 Debt Service fund had a deficit fund balance of \$19,322 because the City has been paying out more for principal and interest payments than it has received in property taxes. Generally, the City's obligation for TIF indebtedness is limited to amounts received from property taxes. However, the City does expect this deficit to be corrected in 2023 and later years from the collection of property taxes.

11. REVOLVING LOAN CASH

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

Revolving loan cash activity was:

	2021	2022
Payments received	4,700	4,700
	-----	+-----
Net change	4,700	4,700
Beginning cash	55,201	59,901
	-----	-----
Ending cash	59,901	64,601



## 12. PENSION PLAN

### Summary of Significant Accounting Policies:

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

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from .05% to 0.0% percent.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ending December 31, 2022, 2021 and 2020 were \$11,457, \$10,453, and \$10,347, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2022 SDRS is 100.1% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the 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 total pension liability	\$ 1,089,662
Less: Proportionate share of net position restricted for pension benefits	(1,090,391)
	-----
Proportionate share of net pension (asset)/liability	\$ (729)
	=====

The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was .000077190 which is an increase of .00000295 over its proportion measured as of June 30, 2021.

Actuarial Assumptions:

The total pension liability 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 return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
	Active and Terminated Vested Members:
	Teachers, Certified Regents, and Judicial: Pub T-2010
	Other Class A Members: Pub G-2010
	Public Safety Members: Pub S-2010
	Retired Members:
	Teachers, Certified Regents, and Judicial Retirees:
	Pub T-2010, 108% of rates above age 65
	Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
	Public Safety Retirees: Pub S-2010, 102% of rate at all ages
	Beneficiaries:
	Pub G-2010 contingent survivor mortality table
	Disabled Members:
	Public Safety: Pub S-2010 disabled member mortality table
	Others: Pub G-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.

### Investments

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	-----	
	100.0%	
	=====	

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$151,473	\$(729)	\$(125,119)

Pension Plan Fiduciary Net Position:

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

13. PROPERTY TAX

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

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

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to property; errors and omissions of public officials; injuries to employees and natural disasters. During the two years ending December 31, 2022, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

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

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

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

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During 2021 less than \$1,000 of claims for unemployment benefits were paid. During 2022 less than \$5,000 of claims for unemployment benefits were paid. During 2023 less than \$5,000 of claims for unemployment benefits were paid.

15. TAX ABATEMENTS

As of December 31, 2022 the City did not provide any tax abatement incentives through its Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

16. LITIGATION

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

17. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City is not involved in any significant litigation.

The City does not offer any Other Post Employment Benefits.

The City does not have any material related party transactions.

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

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

In 2023 the City accepted a \$63,831 bid for softball field lights and a \$64,200 bid for a softball field sprinkler system.

In 2023 the City began Utility Improvements Phase III which is expected to cost \$5.2 million to be paid from grants, loans with a 3<sup>rd</sup> surcharge.

CITY OF ELKTON  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	Beginning 12-31-20	2021 Additions (Deletions)	2022 Additions (Deletions)	Ending Governmental Funds 12-31-22	Ending Enterprise Funds 12-31-22	Principal Due in 2023
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2007 Bank Loan for TIF #2:						
Original Amount of \$95,350						
Maturing on December 31, 2027						
Interest at 5.25%						
Purpose: Remodel retail store						
Secured by TIF #2 tax receipts						
Paid by TIF #2 debt service f	32,661	-6,139	-6,462	20,060		6,733
2009 TIF #3 Developer Contribution:						
Original Amount of \$687,464						
Maturing in 2027						
Interest at 6.50%						
Purpose: Subdivision improvements						
Secured by TIF #3 tax receipts						
Per developer amortization						
Paid by TIF #3 debt service f	535,539	-12,854	-24,422	498,263		25,589
<b>Totals</b>	<b>568,200</b>	<b>-18,993</b>	<b>-30,884</b>	<b>518,323</b>		<b>32,322</b>
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
2002 Water Utility Revenue Bonds: (RD)						
Original Issues of \$257,800						
Maturing on August 8, 2042						
Interest at 4.75%						
Purpose: Water tower construction						
Paid by the water fund	196,477	-5,207	-5,455		185,815	5,714
2002 Water Utility Revenue Bonds: (RD)						
Original Issues of \$44,200						
Maturing on August 8, 2042						
Interest at 4.75%						
Purpose: Water tower construction						
Paid by the water fund	33,686	-893	-935		31,858	980
2010 Clean Water Revenue Bond: (SRF)						
Original Issues of \$510,000						
Maturing on January 15, 2032						
Interest and fees at 3.00%						
Purpose: Wastewater Treatment System Improvements						
Loan forgiveness of \$130,000 in 2012						
Paid by the sewer fund	238,274	-18,087	-18,636		201,551	19,201
2020 Drinking Water Revenue Bond: (SRF)						
Original Issues of \$2,000,000						
Maturing on October 15, 2052						
Interest and fees at 2.75%						
Purpose: Phase I of water system improvements						
Loan forgiveness of \$585,280 in 2020						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the water fund.		697,883	72,888			
Paid by the water fund	420,357	-406,168	-42,421 forgiven		742,539	16,176
2020 Clean Water Revenue Bond: (SRF)						
Original Issues of \$1,206,000						
Maturing on January 15, 2032						
Interest and fees at 3.00%						
Purpose: Phase I of sewer system improvements						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the sewer fund.						
Paid by the sewer fund	541,124	533,962	52,864		1,127,950	24,572
2021 Clean Water Project Revenue Bond: (SRF)						
Original Issues of \$383,000						
Maturing on January 15, 2054						
Interest and fees at 2.125%						
Purpose: Phase II of utility improvements						
Loan forgiveness of \$0						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the sewer fund.						
Paid by the sewer fund	0		141,884		141,884	0
2021 Drinking Water Project Revenue Bond: (SRF)						
Original Issues of \$2,587,000						
Maturing on January 15, 2054						
Interest and fees at 2.125%						
Purpose: Phase II of utility improvements						
Payable exclusively out of pledged revenue						
from segregated customer surcharge						
receipts of the water fund.			534,207			
Paid by the water fund	0		-376,081 forgiven		158,126	0
<b>Totals</b>	<b>1,429,918</b>	<b>801,490</b>	<b>358,315</b>		<b>2,589,723</b>	<b>66,643</b>

CITY OF ELKTON  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

Payment Schedules:	Total Payment	Principal	Interest	Balance
<b>2007 Bank Loan for TIF #2:</b>				
2023	7,786	6,733	1,053	13,327
2024	7,786	7,086	700	6,241
2025	6,569	6,241	328	0
<b>Totals</b>	<b>22,141</b>	<b>20,060</b>	<b>2,081</b>	
<b>2009 TIF #3 Developer Contribution:</b>				
2023	57,000	25,589	31,411	472,674
2024	57,000	35,771	21,229	436,903
2025	57,000	27,951	29,049	408,952
2026	57,000	29,768	27,232	379,184
2027	57,000	31,703	25,297	347,481
2028-2032	285,000	192,120	92,880	155,361
2033-2037	178,872	155,361	23,511	0
<b>Totals</b>	<b>748,872</b>	<b>498,263</b>	<b>250,609</b>	
<b>2002 Water Utility Revenue Bonds:</b>				
2023	14,540	5,714	8,826	180,101
2024	14,540	5,985	8,555	174,116
2025	14,540	6,269	8,271	167,847
2026	14,540	6,567	7,973	161,280
2027	14,540	6,879	7,661	154,401
2028-2032	72,699	39,619	33,080	114,782
2033-2037	72,700	49,965	22,735	64,817
2038-2042	72,699	63,014	9,685	1,803
2043	1,888	1,803	85	0
<b>Totals</b>	<b>292,686</b>	<b>185,815</b>	<b>106,871</b>	
<b>2002 Water Utility Revenue Bonds:</b>				
2023	2,493	980	1,513	30,878
2024	2,493	1,026	1,467	29,852
2025	2,493	1,075	1,418	28,777
2026	2,493	1,126	1,367	27,651
2027	2,493	1,179	1,314	26,472
2028-2032	12,464	6,793	5,671	19,679
2033-2037	12,464	8,566	3,898	11,113
2038-2042	12,464	10,804	1,660	309
2043	324	309	15	0
<b>Totals</b>	<b>50,181</b>	<b>31,858</b>	<b>18,323</b>	
<b>2010 Clean Water Revenue Bond:</b>				
2023	25,033	19,201	5,832	182,350
2024	25,034	19,784	5,250	162,566
2025	25,033	20,384	4,649	142,182
2026	25,034	21,003	4,031	121,179
2027	25,033	21,640	3,393	99,539
2028-2032	125,166	99,539	25,627	0
<b>Totals</b>	<b>250,333</b>	<b>201,551</b>	<b>48,782</b>	
<b>2020 Drinking Water Revenue Bond: (SRF)</b>				
2023	36,430	16,176	20,254	726,363
2024	36,430	16,455	19,975	709,908
2025	36,430	16,907	19,523	693,001
2026	36,430	17,372	19,058	675,629
2027	36,430	17,850	18,580	657,779
2028-2032	182,149	96,889	85,260	560,890
2033-2037	182,149	110,964	71,185	449,926
2038-2042	182,149	127,084	55,065	322,842
2043-2047	182,149	145,546	36,603	177,296
2048-2052	192,756	177,296	15,460	0
<b>Totals</b>	<b>1,103,502</b>	<b>742,539</b>	<b>360,963</b>	
<b>2020 Clean Water Revenue Bond: (SRF)</b>				
2023	55,338	24,572	30,766	1,103,378
2024	55,338	24,995	30,343	1,078,383
2025	55,338	25,683	29,655	1,052,700
2026	55,338	26,389	28,949	1,026,311
2027	55,338	27,115	28,223	999,196
2028-2032	276,692	147,178	129,514	852,018
2033-2037	276,692	168,559	108,134	683,459
2038-2042	276,692	193,046	83,646	490,413
2043-2047	276,692	221,090	55,603	269,323
2048-2052	292,806	269,323	23,483	0
<b>Totals</b>	<b>1,676,266</b>	<b>1,127,950</b>	<b>548,316</b>	
<b>2021 Clean Water Project Revenue Bond: (SRF)</b>				
2023		-72,301		214,185
2024		-109,897		324,082
2024	16,623	5,872	10,751	318,210
2025	14,716	7,955	6,761	310,255
2026	14,717	8,124	6,593	302,131
2027	14,716	8,296	6,420	293,835
2028-2032	73,583	44,202	29,381	249,633
2033-2037	73,583	49,102	24,481	200,531
2038-2042	73,583	54,545	19,038	145,986
2043-2047	73,583	60,593	12,990	85,393
2048-2052	73,583	67,310	6,273	18,083
2053-2054	18,547	18,083	464	0
<b>Totals</b>	<b>447,234</b>	<b>141,884</b>	<b>123,152</b>	
<b>2021 Drinking Water Project Revenue Bond: (SRF)</b>				
2023		-1,306,881		1,465,007
2023		920,045		544,962
2024		-424,696		969,658
2024	8,573	298,986	8,573	670,672
2024	18,460	7,771	10,689	662,901
2025	30,110	16,023	14,087	646,878
2026	30,110	16,363	13,747	630,515
2027	30,110	16,711	13,399	613,804
2028-2032	150,548	89,036	61,512	524,768
2033-2037	150,548	98,907	51,641	425,861
2038-2042	150,548	109,872	40,676	315,989
2043-2047	150,548	122,052	28,496	193,937
2048-2052	150,548	135,584	14,964	58,353
2053-2054	60,219	58,353	1,866	0
<b>Totals</b>	<b>930,322</b>	<b>158,126</b>	<b>259,650</b>	



CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts			Actual: Budgetary Basis	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	265,280		265,280	271,520	6,240
General sales and use taxes	100,000			165,840	165,840
Licenses and permits:	500		500	3,056	2,556
Intergovernmental receipts:					
Federal grant: Covid				66,380	66,380
State shared receipts:					
Grant - mosquito				1,000	1,000
Bank franchise tax	4,000			5,993	5,993
Port of entry	1,000			1,443	1,443
Liquor tax revision	4,500			5,291	5,291
5% Motor vehicle license	9,300			9,924	9,924
Highway and bridge	26,000			28,923	28,923
County shared receipts:	3,450			6,862	6,862
Charges for goods and services:					
General government				100	100
Fire services				488,287	488,287
Sanitation	53,400			57,997	57,997
Ambulance				6,464	6,464
Special assessments				1,388	1,388
Culture and recreation	4,700		4,700		-4,700
Fines and forfeits:	250		250	250	0
Miscellaneous receipts:					
Interest received	500			5,907	5,907
Rents and franchise fees	6,500			6,963	6,963
Revolving loan payments				4,700	4,700
Donations				200	200
Other	2,500		2,500	12,357	9,857
<b>Total receipts</b>	<b>481,880</b>	<b>0</b>	<b>0</b>	<b>1,150,845</b>	<b>877,615</b>
Disbursements:					
General government:					
Mayor and Council	24,250		24,250	23,938	312
Contingency	24,000		24,000		24,000
Amount transferred		-12,000	-12,000		-12,000
Elections	750		750	30	720
Financial administration	113,550	1,700	115,250	109,313	5,937
Government buildings	23,350	2,000	25,350	23,017	2,333
Public safety:					
Police	35,500		35,500	34,737	763
Fire	18,500		18,500	476,834	-458,334
Protective inspection	10,000		10,000	3,328	6,672
Public works:					
Highways and Streets	104,900		32,000	136,900	11,381
Sanitation	48,500	8,000		56,500	146
Cemetery	3,000			3,000	3,000
Health and welfare:					
West Nile	2,000	300	2,300	3,254	-954
Ambulance	7,100		7,100	11,469	-4,369
Culture and recreation:					
Parks and recreation	30,500		30,500	19,623	10,877
Library	22,350		22,350	20,411	1,939
Economic development:	35,000		35,000		35,000
<b>Total disbursements</b>	<b>503,250</b>	<b>0</b>	<b>32,000</b>	<b>907,827</b>	<b>-372,577</b>
Excess of receipts over (under) disbursements	-21,370	0	-32,000	243,018	505,038
Other financing sources (uses):					
Sale of surplus property				2,500	2,500
<b>Net change in fund cash balance</b>	<b>-21,370</b>	<b>0</b>	<b>-32,000</b>	<b>245,518</b>	<b>507,538</b>
Fund cash balance:					
January 1, 2022	919,988		919,988	919,988	0
December 31, 2022	898,618	0	-32,000	1,165,506	507,538

CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts			Actual: Budgetary Basis	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental: Final		
Receipts:					
Receipts from local sources:					
Taxes:	355,250		355,250		-355,250
Ad valorem taxes			0	250,949	250,949
General sales and use taxes				149,845	149,845
Licenses and permits:	500		500	926	426
Intergovernmental receipts:	47,350		47,350		-47,350
Federal grant: Covid				69,515	69,515
State shared receipts:					
Grant - mosquito				707	707
Bank franchise tax				4,660	4,660
Port of entry				1,442	1,442
Liquor tax revision				5,429	5,429
5% Motor vehicle license				9,605	9,605
Highway and bridge				28,693	28,693
County shared receipts:				6,781	6,781
Charges for goods and services:	51,500		51,500		-51,500
Fire services				89,655	89,655
Sanitation	3,400			55,158	55,158
Ambulance				11,244	11,244
Special assessments				841	841
Culture and recreation	3,450		3,450	475	-2,975
Fines and forfeits:			0	100	100
Miscellaneous receipts:			0		0
Interest received				1,369	1,369
Rents and franchise fees				9,005	9,005
Revolving loan payments				4,700	4,700
Donations					0
Other	9,000		9,000	11,393	2,393
Total receipts	470,450	0	467,050	712,492	245,442
Disbursements:					
General government:					
Mayor and Council	24,250		24,250	21,679	2,571
Contingency	23,000		23,000		23,000
Amount transferred		-8,200	-8,200		-8,200
Elections	750		750	24	726
Financial administration	111,650		111,650	100,210	11,440
Government buildings	22,850		22,850	19,358	3,492
Public safety:					
Police	35,500		35,500	34,430	1,070
Fire	18,500		18,500	59,009	-40,509
Protective inspection	10,000		10,000	3,414	6,586
Public works:					
Highways and Streets	107,100	400	107,500	90,296	17,204
Sanitation	45,500	7,800	53,300	53,194	106
Cemetery	5,000		5,000		5,000
Health and welfare:					
West Nile	2,000		2,000	2,484	-484
Ambulance	7,100		7,100	18,680	-11,580
Culture and recreation:					
Parks and recreation	20,500		20,500	15,068	5,432
Library	21,750		21,750	18,425	3,325
Economic development:	25,000		25,000		25,000
Total disbursements	480,450	0	480,450	436,271	44,179
Excess of receipts over (under) disbursements	-10,000	0	0	-13,400	276,221
Other financing sources (uses):					
None			0		0
Net change in fund cash balance	-10,000	0	0	-13,400	276,221
Fund cash balance:					
January 1, 2021, adjusted	643,767		643,767	643,767	0
December 31, 2021	633,767	0	630,367	919,988	289,621

CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2022

2ND CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive Negative
	Original	Supplementals	Final		
<b>Receipts:</b>					
General sales taxes	100,000		100,000	165,840	65,840
Interest received			0	2,693	2,693
<b>Total receipts</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>168,533</b>	<b>68,533</b>
<b>Disbursements:</b>					
Public works: Streets			0		0
Debt service: principal and int			0		0
<b>Total disbursements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of receipts   over (under) disbursements</b>		<b>0</b>	<b>100,000</b>	<b>168,533</b>	<b>68,533</b>
<b>Other financing sources (uses):</b>					
None			0		0
<b>Change in fund balance</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>168,533</b>	<b>68,533</b>
<b>Fund balance:</b>					
January 1, 2022	578,787		578,787	578,787	0
December 31, 2022	578,787	0	678,787	747,320	68,533

FOR THE YEAR ENDING DECEMBER 31, 2021

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive Negative
	Original	Supplementals	Final		
<b>Receipts:</b>					
General sales taxes	100,000		100,000	149,845	49,845
Interest received			0	2,692	2,692
<b>Total receipts</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>152,537</b>	<b>52,537</b>
<b>Disbursements:</b>					
Public safety: Fire			0		0
Public works: Streets			0	17,641	-17,641
Health and welfare: ambulance			0		0
Debt service: principal and int			0		0
<b>Total disbursements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,641</b>	<b>-17,641</b>
<b>Excess of receipts   over (under) disbursements</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>134,896</b>	<b>34,896</b>
<b>Other financing sources (uses):</b>					
None			0		0
<b>Change in fund balance</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>134,896</b>	<b>34,896</b>
<b>Fund balance:</b>					
January 1, 2021	443,891		443,891	443,891	0
December 31, 2021	543,891	0	543,891	578,787	34,896

CITY OF ELKTON

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2022

LIBRARY FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
<b>Receipts:</b>					
Charges for goods and service	1,000		1,000	1,000	0
<b>Total receipts</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>
<b>Disbursements:</b>					
Library	1,000		1,000	909	91
<b>Total disbursements</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>909</b>	<b>91</b>
Excess of receipts over (under) disbursements	0	0	0	91	91
<b>Other financing sources (uses):</b>					
None			0		0
<b>Change in fund balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>91</b>
<b>Fund balance:</b>					
January 1, 2022	1,864		1,864	1,864	0
December 31, 2022	1,864	0	1,864	1,955	91

FOR THE YEAR ENDING DECEMBER 31, 2021

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
<b>Receipts:</b>					
Charges for goods and service	1,000		1,000	698	-302
<b>Total receipts</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>698</b>	<b>-302</b>
<b>Disbursements:</b>					
Library	1,000		1,000	1,057	-57
<b>Total disbursements</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>1,057</b>	<b>-57</b>
Excess of receipts over (under) disbursements	0	0	0	-359	-359
<b>Other financing sources (uses):</b>					
None			0		0
<b>Change in fund balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-359</b>	<b>-359</b>
<b>Fund balance:</b>					
January 1, 2021	2,223		2,223	2,223	0
December 31, 2021	2,223	0	2,223	1,864	-359

CITY OF ELKTON  
DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION - BUDGETS

BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL  
REVENUE FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2021 there were no supplemental budgets. During 2022 there was a supplemental budget. See page 35 to 38.
- e. Formal budgetary integration is employed as a management control device for the general fund, 2nd cent sales tax fund, and library fund.
- f. Budgets for the general fund, 2nd cent sales tax fund, and library funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting is on a modified cash basis of accounting from which the budgetary comparison schedules are prepared.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

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

CITY OF ELKTON  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

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

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.0077190%	-729	184,317	(00.40%)	100.10%
June 30, 2021	0.0074240%	-56,855	168,467	(33.75%)	105.52%
June 30, 2020	0.0072133%	-313	158,317	(00.20%)	100.04%
June 30, 2019	0.0062926%	-667	133,800	(00.50%)	100.09%
June 30, 2018	0.0052247%	-122	108,617	(00.11%)	100.02%
June 30, 2017	0.0060685%	-551	123,300	(00.45%)	100.10%
June 30, 2016	0.0061393%	20,738	116,733	17.77%	96.89%
June 30, 2015	0.0054298%	-23,029	99,133	(23.23%)	104.10%
June 30, 2014	0.0052966%	-38,160	92,617	(41.20%)	107.30%

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

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

CITY OF ELKTON  
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2022	11,457	11,457	0	190,950	6.00%
December 31, 2021	10,453	10,453	0	174,217	6.00%
December 31, 2020	10,347	10,347	0	172,450	6.00%
December 31, 2019	8,370	8,370	0	139,500	6.00%
December 31, 2018	7,172	7,172	0	119,533	6.00%
December 31, 2017	6,457	6,457	0	107,617	6.00%
December 31, 2016	8,098	8,098	0	134,967	6.00%
December 31, 2015	5,806	5,806	0	96,767	6.00%
December 31, 2014	5,650	5,650	0	94,167	6.00%

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

CITY OF ELKTON  
DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2022

Changes of 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, 2022 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, 2022, 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 the 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 change 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 ELKTON  
DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, 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, 2022, 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 20, 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 of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Accounts 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.



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

Governing Board  
City of Elkton  
Elkton, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Elkton (City), Brookings County, South Dakota, as of December 31, 2022 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated August 22, 2024 which was qualified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Elkton'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Elkton's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-01, -02, -03, and -04 that I consider to be a significant deficiencies.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City of Elkton in a separate Letter of Comments dated June 24, 2024.

Compliance and Other Matters

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

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and responses as items 2022-02 and -04.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the compliance findings identified in my audit described in the accompanying schedule of findings and responses. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note other matters involving compliance that I reported to the governing body and management of the City of Elkton in a separate Letter of Comments dated June 25, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 of Elkton's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Elkton's internal control over financial reporting 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.

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

August 22, 2024



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

There are no prior year federal compliance audit findings.

Prior Other Audit Findings:

2003-04 (lack of proper segregation of duties): Repeated below as 2022-01  
2003-06 (capital asset records): Repeated below as 2022-02  
2005-09 (preparation of financial statement): Repeated below as 2022-03  
2008-08 (fire and ambulance records): Repeated below as 2022-04

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2022-01: Lack of Proper Segregation of Duties  
(internal control)

*Criteria:*

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

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

*Condition:*

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

*Questioned Cost:*

None could be identified regarding this finding.

*Effect:*

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

*Recommendation:*

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

*Management Response:*

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

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2022-02: Capital Asset Records  
(compliance and internal control)

*Criteria:*

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

*Condition:*

The City does not have adequate capital asset records.

*Effect:*

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

*Recommendation:*

Management of the City should maintain adequate capital asset records.

*Management Response:*

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

Finding 2022-03: Preparation of Financial Statements  
(internal control)

*Criteria:*

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

*Condition:*

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

*Effect:*

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

*Recommendations:*

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

*Management Response:*

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

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2022-04: Fire and Ambulance Department Records  
(compliance and internal control)

*Criteria:*

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

*Condition:*

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

*Effect:*

Omission of cash and activity of the fire and ambulance departments' separate books and records results in (1) the understatement of balances and activities in the general fund and (2) related effects in the government-wide financial statements. This deficiency can lead to misappropriation of funds.

*Recommendation:*

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

*Management Response:*

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