

CITY OF ELKTON  
ELKTON, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2024  
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, 2024

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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

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

Governing Board  
City of Elkton  
Elkton, South Dakota

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

### *Financial Statement Audit:*

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the City of Elkton (City), Brookings County, South Dakota as of December 31, 2024, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These modified cash basis of accounting 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, 2024 and the respective changes in its financial position 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 2023 and 2024 records kept by the ambulance department were not available.

Separate 2023 and 2024 records kept by the fire department were not available. Activity of the construction checking account was not posted to the general ledger, which in 2023 included receipts of \$2,027,050 and disbursements of \$2,015,333, and in 2024 included receipts of \$1,029,417 and disbursements of \$1,294,585.

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 34), the City's Proportionate Share of Net Pension (Asset)/Liability (page 35), and the Schedule of the City's Contribution (page 35) 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.

*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 27 to 30) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

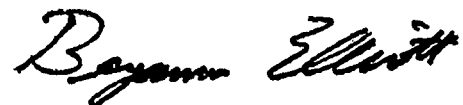
The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures 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 April 13, 2026 (page 37) 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



April 13, 2026

CITY OF ELKTON

STATEMENT OF NET POSITION  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2024

|                                | Primary Government |           |           |
|--------------------------------|--------------------|-----------|-----------|
|                                | Governmental       | Business- |           |
|                                | Activities         | Type      | Total     |
|                                | -----              | -----     | -----     |
| <b>ASSETS:</b>                 |                    |           |           |
| Cash and cash equivalents      | 843,959            | 389,198   | 1,233,157 |
| Certificate of deposit         | 1,149,232          | 100,000   | 1,249,232 |
| Restricted cash                | 107,082            | 29,198    | 136,280   |
|                                | -----              | -----     | -----     |
| Total assets                   | 2,100,273          | 518,396   | 2,618,669 |
|                                | =====              | =====     | =====     |
| <b>NET POSITION:</b>           |                    |           |           |
| Restricted for:                |                    |           |           |
| Revolving loan                 | 79,101             |           | 79,101    |
| Library                        | 4,848              |           | 4,848     |
| TIF #3 developer repayment     | 23,133             |           | 23,133    |
| Rural Development debt service |                    | 18,153    | 18,153    |
| SRF debt service               |                    | 11,045    | 11,045    |
| Unrestricted                   | 1,993,191          | 489,198   | 2,482,389 |
|                                | -----              | -----     | -----     |
| Total net position             | 2,100,273          | 518,396   | 2,618,669 |
|                                | =====              | =====     | =====     |

See accompanying notes.

CITY OF ELKTON  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2024

| Functions/Programs:                   | Program Receipts |   |  |  | Net Receipts (Disbursements) and<br>Changes in Net Position |                             |                   |
|---------------------------------------|------------------|---|--|--|---|-----------------------------|-------------------|
|                                       | Disbursements    | Charges for<br>Services and<br>Reimbursements | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                  | Business-type<br>Activities | Totals            |
| <b>Primary government:</b>            |                  |   |  |  |   |                             |                   |
| <i>Governmental activities:</i>       |                  |   |  |  |   |                             |                   |
| General government                    | 273,293          | 689   |  |  | -272,604  |                             | -272,604          |
| Public safety                         | 341,465          | 221,369                                       | 6,050                                    |  | -114,046  |                             | -114,046          |
| Public works                          | 163,064          | 61,911  |  |  | -101,153  |                             | -101,153          |
| Health and welfare                    | 47,216           | 21,332  | 20,245                                   |  | -5,639  |                             | -5,639            |
| Culture and recreation                | 249,472          | 5,418   |  |  | -244,054  |                             | -244,054          |
| Debt service                          | 62,486           | 1,359   |  |  | -61,127   |                             | -61,127           |
| <b>Total governmental activities</b>  | <b>1,136,996</b> | <b>312,078</b>                                | <b>26,295</b>                            | <b>0</b>                               | <b>-798,623</b>   | <b>0</b>                    | <b>-798,623</b>   |
| <i>Business-type activities:</i>      |                  |   |  |  |   |                             |                   |
| Liquor                                | 428,339          | 477,430                                       |  |  |   | 49,091                      | 49,091            |
| Water                                 | 983,866          | 223,146                                       |  |  |   | -760,720                    | -760,720          |
| Sewer                                 | 779,704          | 200,656                                       |  | 342,435                                |   | -236,613                    | -236,613          |
| <b>Total business-type activities</b> | <b>2,191,909</b> | <b>901,232</b>                                | <b>0</b>                                 | <b>342,435</b>                         | <b>0</b>  | <b>-948,242</b>             | <b>-948,242</b>   |
| <b>Total primary government</b>       | <b>3,328,905</b> | <b>1,213,310</b>                              | <b>26,295</b>                            | <b>342,435</b>                         | <b>-798,623</b>   | <b>-948,242</b>             | <b>-1,746,865</b> |
| <b>General receipts:</b>              |                  |   |  |  |   |                             |                   |
| <b>Taxes:</b>                         |                  |   |  |  |   |                             |                   |
|                                       |                  |   |  |  | 357,602   |                             | 357,602           |
| Property taxes                        |                  |   |  |  | 329,316   |                             | 329,316           |
| Sales taxes                           |                  |   |  |  | 52,198  |                             | 52,198            |
| State shared receipts                 |                  |   |  |  | 3,817   |                             | 3,817             |
| County shared receipts                |                  |   |  |  | 29,683  | 181                         | 29,864            |
| Interest received                     |                  |   |  |  | 10,485  |                             | 10,485            |
| Rents and franchise fees              |                  |   |  |  | 9,000   |                             | 9,000             |
| Revolving loan payments               |                  |   |  |  | 12,528  |                             | 12,528            |
| Miscellaneous receipts                |                  |   |  |  | 0   | 254,839                     | 254,839           |
| SRF Loan proceeds                     |                  |   |  |  | 0   | 432,142                     | 432,142           |
| SRF Loan proceeds - forgiven          |                  |   |  |  |   |                             |                   |
| <b>Total general receipts</b>         |                  |   |  |  | <b>804,629</b>  | <b>687,162</b>              | <b>1,491,791</b>  |
| <b>Change in net position</b>         |                  |   |  |  | <b>6,006</b>  | <b>-261,080</b>             | <b>-255,074</b>   |
| <b>Net position:</b>                  |                  |   |  |  |   |                             |                   |
| January 1, 2024                       |                  |   |  |  | 2,094,267   | 779,476                     | 2,873,743         |
| December 31, 2024                     |                  |   |  |  | 2,100,273   | 518,396                     | 2,618,669         |

See accompanying notes.

CITY OF ELKTON  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2023

| Functions/Programs:                   | Program Receipts |   |  |  | Net Receipts (Disbursements) and<br>Changes in Net Position |                             |                   |
|---------------------------------------|------------------|---|--|--|---|-----------------------------|-------------------|
|                                       | Disbursements    | Charges for<br>Services and<br>Reimbursements | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                  | Business-type<br>Activities | Totals            |
| <b>Primary government:</b>            |                  |   |  |  |   |                             |                   |
| <i>Governmental activities:</i>       |                  |   |  |  |   |                             |                   |
| General government                    | 158,988          | 2,774   |  |  | -156,214  |                             | -156,214          |
| Public safety                         | 126,676          | 84,955  |  |  | -41,721   |                             | -41,721           |
| Public works                          | 169,904          | 60,530  |  |  | -109,374  |                             | -109,374          |
| Health and welfare                    | 13,104           | 17,428  | 822                                      |  | 5,146   |                             | 5,146             |
| Culture and recreation                | 174,709          | 6,805   |  |  | -167,904  |                             | -167,904          |
| Debt service                          | 64,785           |   |  |  | -64,785   |                             | -64,785           |
| <b>Total governmental activities</b>  | <b>708,166</b>   | <b>172,492</b>                                | <b>822</b>                               | <b>0</b>                               | <b>-534,852</b>   | <b>0</b>                    | <b>-534,852</b>   |
| <i>Business-type activities:</i>      |                  |   |  |  |   |                             |                   |
| Liquor                                | 383,509          | 430,466                                       |  |  |   | 46,957                      | 46,957            |
| Water                                 | 1,491,696        | 218,086                                       |  |  |   | -1,273,610                  | -1,273,610        |
| Sewer                                 | 853,308          | 196,882                                       |  | 595,482                                |   | -60,944                     | -60,944           |
| <b>Total business-type activities</b> | <b>2,728,513</b> | <b>845,434</b>                                | <b>0</b>                                 | <b>595,482</b>                         | <b>0</b>  | <b>-1,287,597</b>           | <b>-1,287,597</b> |
| <b>Total primary government</b>       | <b>3,436,679</b> | <b>1,017,926</b>                              | <b>822</b>                               | <b>595,482</b>                         | <b>-534,852</b>   | <b>-1,287,597</b>           | <b>-1,822,449</b> |

General receipts:

|                              |         |         |
|------------------------------|---------|---------|
| Taxes:                       |         |         |
| Property taxes               | 335,665 | 335,665 |
| Sales taxes                  | 315,760 | 315,760 |
| State shared receipts        | 53,530  | 53,530  |
| County shared receipts       | 3,845   | 3,845   |
| Interest received            | 19,511  | 178     |
| Rents and franchise fees     | 9,148   | 9,148   |
| Revolving loan payments      | 5,500   | 5,500   |
| Miscellaneous receipts       | 8,679   | 8,679   |
| SRF Loan proceeds            | 0       | 511,523 |
| SRF Loan proceeds - forgiven | 0       | 920,045 |

**Total general receipts** 751,638 1,431,746 2,183,384

Change in net position 216,786 144,149 360,935

Net position:

|   |           |         |           |
|---|-----------|---------|-----------|
| January 1, 2023                                 | 1,913,480 | 599,328 | 2,512,808 |
| Beginning balance error correction<br>(note 11) | -35,999   | 35,999  | 0         |
| January 1, 2023, restated                       | 1,877,481 | 635,327 | 2,512,808 |
| December 31, 2023                               | 2,094,267 | 779,476 | 2,873,743 |

CITY OF ELKTON

BALANCE SHEET -- MODIFIED CASH BASIS  
 ALL GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2024

|                                | General<br>Fund  | 2nd Cent<br>Sales Tax<br>Fund | Library<br>Fund | TIF #2<br>Debt Service<br>Fund | Kinner<br>TIF #3<br>Debt Service<br>Fund | Total              |
|--------------------------------|------------------|-------------------------------|-----------------|--------------------------------|--|--------------------|
| <b>ASSETS:</b>                 |                  |                               |                 |                                |  |                    |
| Cash and cash equivalents      | 549,877          | 309,716                       |                 | -15,634                        |  | 843,959            |
| Certificate of deposit         | 626,166          | 523,066                       |                 |                                |  | 1,149,232          |
| Restricted cash                | 79,101           |                               | 4,848           |                                | 23,133                                   | 107,082            |
| <b>Total assets</b>            | <b>1,255,144</b> | <b>832,782</b>                | <b>4,848</b>    | <b>-15,634</b>                 | <b>23,133</b>                            | <b>2,100,273</b>   |
| <b>FUND BALANCE (DEFICIT):</b> |                  |                               |                 |                                |  |                    |
| Nonspendable                   |                  |                               |                 |                                |  | 0                  |
| Restricted                     | 79,101           |                               | 4,848           |                                | 23,133                                   | 107,082            |
| Committed                      |                  | 832,782                       |                 |                                |  | 832,782            |
| Assigned                       | 247,911          |                               |                 |                                |  | 247,911            |
| Unassigned                     | 928,132          |                               |                 | -15,634                        |  | 912,498            |
| <b>Total fund balances</b>     | <b>1,255,144</b> | <b>832,782</b>                | <b>4,848</b>    | <b>-15,634</b>                 | <b>23,133</b>                            | <b>2,100,273**</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, 2024

|  | General<br>Fund  | 2nd Cent<br>Sales Tax<br>Fund | Library<br>Fund | TIF #2<br>Debt Service<br>Fund | Kinner<br>TIF #3<br>Debt Service<br>Fund | Total            |
|--|------------------|-------------------------------|-----------------|--------------------------------|--|------------------|
| <b>Receipts:</b>   |                  |                               |                 |                                |  |                  |
| <b>Local sources:</b>                                    |                  |                               |                 |                                |  |                  |
| Ad valorem taxes   | 286,842          |                               |                 | 13,683                         | 57,077                                   | 357,602          |
| General sales taxes                                      | 164,658          | 164,658                       |                 |                                |  | 329,316          |
| Licenses and permits:                                    | 689              |                               |                 |                                |  | 689              |
| <b>Intergovernmental:</b>                                |                  |                               |                 |                                |  |                  |
| Federal grant - fire                                     | 6,050            |                               |                 |                                |  | 6,050            |
| <b>State shared revenue:</b>                             |                  |                               |                 |                                |  |                  |
| Grant - mosquito   | 1,193            |                               |                 |                                |  | 1,193            |
| Bank franchise tax                                       | 5,555            |                               |                 |                                |  | 5,555            |
| Port of entry  | 1,444            |                               |                 |                                |  | 1,444            |
| Liquor tax revision                                      | 5,163            |                               |                 |                                |  | 5,163            |
| 5% Motor vehicle license                                 | 10,188           |                               |                 |                                |  | 10,188           |
| Highway and bridge                                       | 29,848           |                               |                 |                                |  | 29,848           |
| County shared revenue                                    | 3,817            |                               |                 |                                |  | 3,817            |
| <b>Charges for goods and services:</b>                   |                  |                               |                 |                                |  |                  |
| Fire services  | 221,370          |                               |                 |                                |  | 221,370          |
| Ambulance  | 21,332           |                               |                 |                                |  | 21,332           |
| Sanitation   | 61,911           |                               |                 |                                |  | 61,911           |
| Special assessment                                       | 1,359            |                               |                 |                                |  | 1,359            |
| Culture and recreation                                   | 3,539            |                               | 1,879           |                                |  | 5,418            |
| <b>Fines and forfeits:</b>                               |                  |                               |                 |                                |  |                  |
|  |                  |                               |                 |                                |  | 0                |
| <b>Miscellaneous:</b>                                    |                  |                               |                 |                                |  |                  |
| Interest received  | 27,773           | 1,659                         |                 |                                | 251                                      | 29,683           |
| Rents and franchise                                      | 10,485           |                               |                 |                                |  | 10,485           |
| Revolving loan payments                                  | 9,000            |                               |                 |                                |  | 9,000            |
| Other  | 12,527           |                               |                 |                                |  | 12,527           |
| <b>Total receipts</b>                                    | <b>884,743</b>   | <b>166,317</b>                | <b>1,879</b>    | <b>13,683</b>                  | <b>57,328</b>                            | <b>1,123,950</b> |
| <b>Disbursements:</b>                                    |                  |                               |                 |                                |  |                  |
| <b>Current:</b>  |                  |                               |                 |                                |  |                  |
| <b>General government:</b>                               |                  |                               |                 |                                |  |                  |
| Mayor and Council  | 22,081           |                               |                 |                                |  | 22,081           |
| Elections  | 36               |                               |                 |                                |  | 36               |
| Financial administration                                 | 139,577          |                               |                 |                                |  | 139,577          |
| Government buildings                                     | 21,774           |                               |                 |                                |  | 21,774           |
| <b>Public safety:</b>                                    |                  |                               |                 |                                |  |                  |
| Police   | 35,124           |                               |                 |                                |  | 35,124           |
| Fire   | 303,811          |                               |                 |                                |  | 303,811          |
| Protective inspection                                    | 2,530            |                               |                 |                                |  | 2,530            |
| <b>Public works:</b>                                     |                  |                               |                 |                                |  |                  |
| Highways and streets                                     | 104,127          |                               |                 |                                |  | 104,127          |
| Sanitation   | 58,937           |                               |                 |                                |  | 58,937           |
| <b>Health and welfare:</b>                               |                  |                               |                 |                                |  |                  |
| West Nile  | 2,906            |                               |                 |                                |  | 2,906            |
| Ambulance  | 24,333           |                               |                 |                                |  | 24,333           |
| <b>Culture and recreation:</b>                           |                  |                               |                 |                                |  |                  |
| Parks and recreation                                     | 22,373           |                               |                 |                                |  | 22,373           |
| Library  | 31,586           |                               |                 |                                |  | 31,586           |
| Debt service - principal                                 |                  |                               |                 | 7,246                          | 19,683                                   | 26,929           |
| - interest   |                  |                               |                 | 540                            | 35,017                                   | 35,557           |
| Capital outlay   | 305,315          |                               |                 |                                |  | 305,315          |
| <b>Total disbursements</b>                               | <b>1,074,510</b> | <b>0</b>                      | <b>0</b>        | <b>7,786</b>                   | <b>54,700</b>                            | <b>1,136,996</b> |
| <b>Excess of receipts<br/>over (under) disbursements</b> | <b>-189,767</b>  | <b>166,317</b>                | <b>1,879</b>    | <b>5,897</b>                   | <b>2,628</b>                             | <b>-13,046</b>   |
| <b>Other financing sources (uses):</b>                   |                  |                               |                 |                                |  |                  |
| Ambulance grant  | 19,052           |                               |                 |                                |  | 19,052           |
| <b>Net change in fund balance</b>                        | <b>-170,715</b>  | <b>166,317</b>                | <b>1,879</b>    | <b>5,897</b>                   | <b>2,628</b>                             | <b>6,006**</b>   |
| <b>Fund balance (deficit):</b>                           |                  |                               |                 |                                |  |                  |
| January 1, 2024  | 1,425,859        | 666,465                       | 2,969           | -21,531                        | 20,505                                   | 2,094,267        |
| December 31, 2024  | 1,255,144        | 832,782                       | 4,848           | -15,634                        | 23,133                                   | 2,100,273        |

\*\* 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, 2023

|  | General<br>Fund | 2nd Cent<br>Sales Tax<br>Fund | Library<br>Fund | TIF #2<br>Debt Service<br>Fund | Kinner<br>TIF #3<br>Debt Service<br>Fund | Total            |
|--|-----------------|-------------------------------|-----------------|--------------------------------|--|------------------|
| <b>Receipts:</b>   |                 |                               |                 |                                |  |                  |
| <b>Local sources:</b>                                    |                 |                               |                 |                                |  |                  |
| Ad valorem taxes   | 270,738         |                               |                 | 5,576                          | 59,351                                   | 335,665          |
| General sales taxes                                      | 157,880         | 157,880                       |                 |                                |  | 315,760          |
| Licenses and permits:                                    | 2,474           |                               |                 |                                |  | 2,474            |
| <b>Intergovernmental:</b>                                |                 |                               |                 |                                |  |                  |
| <b>State shared revenue:</b>                             |                 |                               |                 |                                |  |                  |
| Grant - mosquito   | 822             |                               |                 |                                |  | 822              |
| Bank franchise tax                                       | 7,034           |                               |                 |                                |  | 7,034            |
| Port of entry  | 1,470           |                               |                 |                                |  | 1,470            |
| Liquor tax revision                                      | 5,190           |                               |                 |                                |  | 5,190            |
| 5% Motor vehicle license                                 | 10,095          |                               |                 |                                |  | 10,095           |
| Highway and bridge                                       | 29,741          |                               |                 |                                |  | 29,741           |
| County shared revenue                                    | 3,845           |                               |                 |                                |  | 3,845            |
| <b>Charges for goods and services:</b>                   |                 |                               |                 |                                |  |                  |
| General government                                       | 200             |                               |                 |                                |  | 200              |
| Fire services  | 84,955          |                               |                 |                                |  | 84,955           |
| Ambulance  | 17,428          |                               |                 |                                |  | 17,428           |
| Sanitation   | 58,991          |                               |                 |                                |  | 58,991           |
| Special assessment                                       | 1,339           |                               |                 |                                |  | 1,339            |
| Culture and recreation                                   | 5,791           |                               | 1,014           |                                |  | 6,805            |
| Fines and forfeits:                                      | 300             |                               |                 |                                |  | 300              |
| <b>Miscellaneous:</b>                                    |                 |                               |                 |                                |  |                  |
| Interest received  | 17,717          | 1,660                         |                 |                                | 133                                      | 19,510           |
| Rents and franchise                                      | 9,149           |                               |                 |                                |  | 9,149            |
| Revolving loan payments                                  | 5,500           |                               |                 |                                |  | 5,500            |
| Other  | 8,679           |                               |                 |                                |  | 8,679            |
| <b>Total receipts</b>                                    | <b>699,338</b>  | <b>159,540</b>                | <b>1,014</b>    | <b>5,576</b>                   | <b>59,484</b>                            | <b>924,952</b>   |
| <b>Disbursements:</b>                                    |                 |                               |                 |                                |  |                  |
| <b>Current:</b>  |                 |                               |                 |                                |  |                  |
| <b>General government:</b>                               |                 |                               |                 |                                |  |                  |
| Mayor and Council  | 19,375          |                               |                 |                                |  | 19,375           |
| Elections  |                 |                               |                 |                                |  | 0                |
| Financial administration                                 | 115,551         |                               |                 |                                |  | 115,551          |
| Government buildings                                     | 24,062          |                               |                 |                                |  | 24,062           |
| <b>Public safety:</b>                                    |                 |                               |                 |                                |  |                  |
| Police   | 34,895          |                               |                 |                                |  | 34,895           |
| Fire   | 86,610          |                               |                 |                                |  | 86,610           |
| Protective inspection                                    | 5,171           |                               |                 |                                |  | 5,171            |
| <b>Public works:</b>                                     |                 |                               |                 |                                |  |                  |
| Highways and streets                                     | 113,262         |                               |                 |                                |  | 113,262          |
| Sanitation   | 56,642          |                               |                 |                                |  | 56,642           |
| <b>Health and welfare:</b>                               |                 |                               |                 |                                |  |                  |
| West Nile  | 1,803           |                               |                 |                                |  | 1,803            |
| Ambulance  | 11,301          |                               |                 |                                |  | 11,301           |
| <b>Culture and recreation:</b>                           |                 |                               |                 |                                |  |                  |
| Parks and recreation                                     | 17,580          |                               |                 |                                |  | 17,580           |
| Library  | 26,513          |                               |                 |                                |  | 26,513           |
| Debt service - principal                                 |                 |                               |                 | 6,733                          | 25,589                                   | 32,322           |
| - interest   |                 |                               |                 | 1,052                          | 31,411                                   | 32,463           |
| Capital outlay   | 130,616         |                               |                 |                                |  | 130,616          |
| <b>Total disbursements</b>                               | <b>643,381</b>  | <b>0</b>                      | <b>0</b>        | <b>7,785</b>                   | <b>57,000</b>                            | <b>708,166</b>   |
| <b>Excess of receipts<br/>over (under) disbursements</b> | <b>55,957</b>   | <b>159,540</b>                | <b>1,014</b>    | <b>-2,209</b>                  | <b>2,484</b>                             | <b>216,786</b>   |
| <b>Other financing sources (uses):</b>                   |                 |                               |                 |                                |  |                  |
| None   |                 |                               |                 |                                |  | 0                |
| <b>Net change in fund balance</b>                        | <b>55,957</b>   | <b>159,540</b>                | <b>1,014</b>    | <b>-2,209</b>                  | <b>2,484</b>                             | <b>216,786**</b> |
| <b>Fund balance (deficit):</b>                           |                 |                               |                 |                                |  |                  |
| January 1, 2023  | 1,165,506       | 747,320                       | 1,955           | -19,322                        | 18,021                                   | 1,913,480        |
| Beginning balance error<br>correction (note 11)          | 204,396         | -240,395                      |                 |                                |  | -35,999          |
| January 1, 2023, restated                                | 1,369,902       | 506,925                       | 1,955           | -19,322                        | 18,021                                   | 1,877,481        |
| December 31, 2023  | 1,425,859       | 666,465                       | 2,969           | -21,531                        | 20,505                                   | 2,094,267        |

\*\* 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, 2024

|                           | Liquor<br>Fund | Water<br>Fund | Sewer<br>Fund | Total<br>Enterprise<br>Funds |
|---------------------------|----------------|---------------|---------------|------------------------------|
|                           | -----          | -----         | -----         | -----                        |
| <b>ASSETS</b>             |                |               |               |                              |
| Current assets:           |                |               |               |                              |
| Cash and cash equivalent  | 317,331        | 71,867        |               | 389,198                      |
| Certificate of Deposit    | 100,000        |               |               | 100,000                      |
| Restricted cash           |                | 18,153        | 11,045        | 29,198                       |
|                           | -----          | -----         | -----         | -----                        |
| Total assets              | 417,331        | 90,020        | 11,045        | 518,396                      |
|                           | =====          | =====         | =====         | =====                        |
| <br><b>NET POSITION</b>   |                |               |               |                              |
| Restricted - debt service |                | 18,153        | 11,045        | 29,198                       |
| Unrestricted              | 417,331        | 71,867        |               | 489,198                      |
|                           | -----          | -----         | -----         | -----                        |
| Total net position        | 417,331        | 90,020        | 11,045        | 518,396                      |
|                           | =====          | =====         | =====         | =====                        |

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, 2024  
 FOR THE YEAR ENDING DECEMBER 31, 2023

|  | 2024           |                 |                 |                   | 2023           |                   |                 |                   |
|--|----------------|-----------------|-----------------|-------------------|----------------|-------------------|-----------------|-------------------|
|  | Liquor<br>Fund | Water<br>Fund   | Sewer<br>Fund   | Total             | Liquor<br>Fund | Water<br>Fund     | Sewer<br>Fund   | Total             |
| <b>Operating receipts:</b>                       |                |                 |                 |                   |                |                   |                 |                   |
| Charges for goods and services                   | 416,804        | 223,146         | 200,656         | 840,606           | 379,907        | 218,086           | 196,882         | 794,875           |
| Video lottery sales, net                         | 60,626         |                 |                 | 60,626            | 50,559         |                   |                 | 50,559            |
| <b>Total operating receipts</b>                  | <b>477,430</b> | <b>223,146</b>  | <b>200,656</b>  | <b>901,232</b>    | <b>430,466</b> | <b>218,086</b>    | <b>196,882</b>  | <b>845,434</b>    |
| <b>Operating disbursements:</b>                  |                |                 |                 |                   |                |                   |                 |                   |
| Personal services                                | 133,057        | 58,666          | 52,859          | 244,582           | 79,856         | 51,983            | 47,348          | 179,187           |
| Other current services                           | 41,084         | 20,141          | 19,662          | 80,887            | 42,619         | 16,041            | 17,137          | 75,797            |
| Cost of goods sold                               | 247,889        | 59,466          |                 | 307,355           | 245,750        | 63,328            |                 | 309,078           |
| Capital assets                                   | 6,309          | 765,097         | 610,190         | 1,381,596         | 15,284         | 1,306,881         | 708,452         | 2,030,617         |
| <b>Total operating disbursements</b>             | <b>428,339</b> | <b>903,370</b>  | <b>682,711</b>  | <b>2,014,420</b>  | <b>383,509</b> | <b>1,438,233</b>  | <b>772,937</b>  | <b>2,594,679</b>  |
| <b>Excess operating receipts (disbursements)</b> | <b>49,091</b>  | <b>-680,224</b> | <b>-482,055</b> | <b>-1,113,188</b> | <b>46,957</b>  | <b>-1,220,147</b> | <b>-576,055</b> | <b>-1,749,245</b> |
| <b>Nonoperating receipts (disbursements):</b>    |                |                 |                 |                   |                |                   |                 |                   |
| Grants   |                |                 | 342,435         | 342,435           |                |                   | 595,482         | 595,482           |
| SRF loan proceeds                                |                | 181,697         | 73,142          | 254,839           |                | 386,836           | 124,687         | 511,523           |
| SRF loan proceeds - forgiven                     |                | 432,142         |                 | 432,142           |                | 920,045           |                 | 920,045           |
| Interest received                                |                | 181             |                 | 181               |                | 178               |                 | 178               |
| Loan pymts - principal                           |                | -33,326         | -48,639         | -81,965           |                | -22,955           | -43,902         | -66,857           |
| - interest                                       |                | -47,170         | -48,354         | -95,524           |                | -30,508           | -36,469         | -66,977           |
| <b>Total nonoperating receipts (disbu)</b>       | <b>0</b>       | <b>533,524</b>  | <b>318,584</b>  | <b>852,108</b>    | <b>0</b>       | <b>1,253,596</b>  | <b>639,798</b>  | <b>1,893,394</b>  |
| <b>Change in net position</b>                    | <b>49,091</b>  | <b>-146,700</b> | <b>-163,471</b> | <b>-261,080</b>   | <b>46,957</b>  | <b>33,449</b>     | <b>63,743</b>   | <b>144,149</b>    |
| <b>Net position:</b>                             |                |                 |                 |                   |                |                   |                 |                   |
| January 1, 2023                                  |                |                 |                 |                   | 321,283        | 167,272           | 110,773         | 599,328           |
| Beginning balance error correction (note 11)     |                |                 |                 |                   |                | 35,999            |                 | 35,999            |
| January 1, 2023, restated                        |                |                 |                 |                   | 321,283        | 203,271           | 110,773         | 635,327           |
| December 31, 2023                                | 368,240        | 236,720         | 174,516         | 779,476           | 368,240        | 236,720           | 174,516         | 779,476           |
| December 31, 2024                                | 417,331        | 90,020          | 11,045          | 518,396           |                |                   |                 |                   |

See accompanying notes.

CITY OF ELKTON

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2024  
 FOR THE YEAR ENDING DECEMBER 31, 2023

|  | 2024        |            |            |            | 2023        |            |            |            |
|--|-------------|------------|------------|------------|-------------|------------|------------|------------|
|  | Liquor Fund | Water Fund | Sewer Fund | Total      | Liquor Fund | Water Fund | Sewer Fund | Total      |
| Cash flows from:   |             |            |            |            |             |            |            |            |
| Operating activities:  |             |            |            |            |             |            |            |            |
| Receipts from customers  | 477,430     | 223,146    | 200,656    | 901,232    | 430,466     | 218,086    | 196,882    | 845,434    |
| Payments to employees  | -133,057    | -58,666    | -52,859    | -244,582   | -79,856     | -51,983    | -47,348    | -179,187   |
| Payments to suppliers  | -288,973    | -79,607    | -19,662    | -388,242   | -288,369    | -79,369    | -17,137    | -384,875   |
| Payments for capital assets  | -6,309      | -765,097   | -610,190   | -1,381,596 | -15,284     | -1,306,881 | -708,452   | -2,030,617 |
| Net cash provided (used) by operating activities   | 49,091      | -680,224   | -482,055   | -1,113,188 | 46,957      | -1,220,147 | -576,055   | -1,749,245 |
| Noncapital financing activities:   |             |            |            |            |             |            |            |            |
| None   |             |            |            | 0          |             |            |            | 0          |
| Capital financing activities:  |             |            |            |            |             |            |            |            |
| Grants   |             |            | 342,435    | 342,435    |             |            | 595,482    | 595,482    |
| SRF loan proceeds  |             | 181,697    | 73,142     | 254,839    |             | 386,836    | 124,687    | 511,523    |
| SRF loan proceeds - forgiven   |             | 432,142    |            | 432,142    |             | 920,045    |            | 920,045    |
| Loan pymts - principal   |             | -33,326    | -48,639    | -81,965    |             | -22,955    | -43,902    | -66,857    |
| - interest   |             | -47,170    | -48,354    | -95,524    |             | -30,508    | -36,469    | -66,977    |
| Investing activities:  |             |            |            |            |             |            |            |            |
| Interest received  |             | 181        |            | 181        |             | 178        |            | 178        |
| Purchase certificate of deposit  |             |            |            | 0          | -100,000    |            |            | -100,000   |
| Net increase (decrease) in cash and cash equivalents   | 49,091      | -146,700   | -163,471   | -261,080   | -53,043     | 33,449     | 63,743     | 44,149     |
| Cash and cash equivalents:   |             |            |            |            |             |            |            |            |
| January 1, 2023  |             |            |            |            | 321,283     | 167,272    | 110,773    | 599,328    |
| Beginning balance error correction (note 11)   |             |            |            |            |             | 35,999     |            | 35,999     |
| January 1, 2023, restated  |             |            |            |            | 321,283     | 203,271    | 110,773    | 635,327    |
| December 31, 2023  | 268,240     | 236,720    | 174,516    | 679,476    | 268,240     | 236,720    | 174,516    | 679,476    |
| December 31, 2024  | 317,331     | 90,020     | 11,045     | 418,396    |             |            |            |            |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: |             |            |            |            |             |            |            |            |
| Operating income (loss)  | 49,091      | -680,224   | -482,055   | -1,113,188 | 46,957      | -1,220,147 | -576,055   | -1,749,245 |
| Net cash provided (used) by operating activities   | 49,091      | -680,224   | -482,055   | -1,113,188 | 46,957      | -1,220,147 | -576,055   | -1,749,245 |
| Noncash investing, capital and financing activities: None                                      |             |            |            |            |             |            |            |            |

See accompanying notes.

CITY OF ELKTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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, 2024 are:

|                         |                  |
|-------------------------|------------------|
| Governing Board:        | Finance Officer: |
| Charles Remund, Mayor   | Susan Schuurman  |
| Dave Birrman, President |                  |
| Tal Farnham             | Attorney:        |
| Brooke Greve            | Steven Britzman  |
| Emily Schelske          |                  |
| 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 but did not receive a budget.

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            | 79,101        |
|                                     | Library                  | Statute                    | 4,848         |
|                                     | TIF #3                   | Developer Agreement        | 23,133        |
| Committed                           | 2nd Cent                 | Ordinance                  | 832,782       |
| Assigned                            | Fire                     | Finance officer            | 205,101       |
|                                     | Ambulance                | Finance officer            | 42,810        |
| Unassigned                          | General                  |                            | 928,132       |
|                                     | TIF #2                   |                            | (15,634)      |
|                                     |                          |                            | -----         |
|                                     |                          |                            | 2,100,273     |

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 8 and 9 |
| * Library             | Receive fines and gifts | See page 8 and 9 |

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:

|   |         |
|---|---------|
| 2024: General fund - Public Safety/Fire     | 285,311 |
| General fund - Health and Welfare/Ambulance | 37,210  |
| General fund - Culture & Recreation/Library | 1,286   |
| General fund - Economic Development         | 150,513 |
| 2023: General fund - Public Safety/Fire     | 68,110  |
| General fund - Health and Welfare/Ambulance | 4,201   |
| General fund - Culture & Recreation/Library | 613     |
| General fund - Economic Development         | 105,616 |

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, 2024 were as follows: Insured \$750,000, Collateralized \*\* \$1,862,744 for a total of \$2,612,744.

\*\* 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, 2024 was \$2,618,669.

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, 2024 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, 2024, the City's deposits in financial institutions were exposed to custodial deposit risks as 0.61% of BankStar Financial's public deposits were uncollateralized, which represents \$12,804 of Elkton's BankStar Financial deposits at December 31, 2024.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. At December 31, 2024 the City's deposits are held at both BankStar Financial and First Interstate Bank.

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, 2024 are:

| Purpose:                                    | Governmental | Business-Type |
|---|--------------|---------------|
| General fund - Revolving loan balance       | 79,101       |               |
| Library fund - Library fines                | 4,848        |               |
| TIF #3 fund - Reimburse developer           | 23,133       |               |
| Water fund - Rural Development debt service |              | 18,153        |
| Sewer fund - SRF debt service               |              | 11,045        |
|   | -----        | -----         |
| Total Restricted Cash                       | 107,082      | 29,198        |

#### 6. RESTRICTED NET POSITION

Net position restricted for specific purposes are as follows:

| Purpose:                                    | Governmental | Business-Type |
|---|--------------|---------------|
| General fund - Revolving loan balance       | 79,101       |               |
| Library fund - Library fines                | 4,848        |               |
| TIF #3 fund - Reimburse developer           | 23,133       |               |
| Water fund - Rural Development debt service |              | 18,153        |
| Sewer fund - SRF debt service               |              | 11,045        |
|   | -----        | -----         |
| Total Restricted Cash                       | 107,082      | 29,198        |

#### 7. LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 27 to 30. The City did not have any short-term or conduit debt in 2023 or 2024.

8. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two 2002 Water Revenue Bonds which have a remaining balance of \$203,968 at December 31, 2024. This debt was incurred to cover the cost of water improvements. The bonds will mature in 2042. In 2024 these bonds had pledged revenue of \$84,873 and total payments of \$17,033. See page 27.

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 \$162,566 at December 31, 2024. This debt was incurred to cover the cost of sewer improvements. The bonds will mature in 2032. In 2024 this debt had pledged revenue of \$128,135 and total payments of \$25,033. See page 27.

9. DEFICIT FUND BALANCE:

At December 31, 2024 the TIF #2 Debt Service fund had a deficit fund balance of \$15,634 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 2025 and later years from the collection of property taxes.

10. 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:

|                   |        |        |
|-------------------|--------|--------|
|                   | 2024   | 2023   |
| Payments received | 9,000  | 5,500  |
|                   | -----  | -----  |
| Net change        | 9,000  | 5,500  |
| Beginning cash    | 70,101 | 64,601 |
|                   | -----  | -----  |
| Ending cash       | 79,101 | 70,101 |

11. BEGINNING BALANCE ERROR CORRECTION

A 2023 beginning balance error correction resulted in adjustments to the beginning net position and fund net position as follows:

|   | Governmental<br>Activities | Business-Type<br>Activities |
|---|----------------------------|-----------------------------|
| Net Position January 1, 2023<br>(previously reported) | 1,913,480                  | 599,328                     |
| Error correction                                      | (35,999)                   | 35,999                      |
|   | -----                      | -----                       |
| Net Position January 1, 2023 (restated)               | <u>1,877,481</u>           | <u>635,327</u>              |

|   | General<br>Fund  | 2 <sup>nd</sup> Cent<br>Fund | Water<br>Fund  |
|---|------------------|------------------------------|----------------|
| Net Position January 1, 2023<br>(previously reported) | 1,165,506        | 747,320                      | 167,272        |
| Error correction                                      | 204,396          | (240,395)                    | 35,999         |
|   | -----            | -----                        | -----          |
| Net Position January 1, 2023 (restated)               | <u>1,369,902</u> | <u>506,925</u>               | <u>203,271</u> |

12. INTERFUND TRANSFERS

In 2023 and 2024 there were no inter fund transfers.

### 13. 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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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 by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

#### Benefits Provided:

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

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

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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 percent to 0.0 percent.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2024, 2023 and 2022 were \$14,341, \$10,637 and 11,457 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, 2024 SDRS is 100.0% 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, 2024 and reported by the City as of December 31, 2024 are as follows:

|   |              |
|---|--------------|
| Proportionate share of total pension liability                            | \$ 1,137,666 |
| Less: Proportionate share of net position restricted for pension benefits | (1,137,975)  |
|   | -----        |
| Proportionate share of net pension (asset)/liability                      | \$ (309)     |
|   | =====        |

The net pension (asset) was measured as of June 30, 2024 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 contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was .00007626 which is an increase of .00000503 over its proportion measured as of June 30, 2023.

Actuarial Assumptions:

The total pension (asset) in the June 30, 2024 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 1.71%

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, 2024 valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through 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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| Asset Class           | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Public Equity         | 56.3%             | 3.6%                                   |
| Investment grade debt | 22.8%             | 2.3%                                   |
| High Yield debt       | 7.0%              | 2.8%                                   |
| Real Estate           | 12.0%             | 4.0%                                   |
| Cash                  | 1.9               | 0.8%                                   |
|                       | -----             |  |
|                       | 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 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 the is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

|  | 1% Decrease<br>5.50% | Current<br>Discount<br>Rate<br>6.50% | 1% Increase<br>7.50% |
|--|----------------------|--------------------------------------|----------------------|
| City's proportionate share<br>of the net pension (asset)/liability | \$156,864            | \$(309)                              | \$(128,925)          |

Pension Plan Fiduciary Net Position:

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

14. 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.

15. 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, 2024, 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 2023 unemployment payments of \$505 were paid. During 2024 unemployment payments of \$2,121 were paid. During 2025 no unemployment payments were paid.

#### 16. TAX ABATEMENTS

As of December 31, 2024 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.

#### 17. 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.

#### 18. 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 2025 the City continued with Phase III of its water/sewer project which was supported by a new \$778,000 Drinking Water Revenue Bond (SRF DW-03) and a new \$936,000 Clean Water Revenue Bond (SRF CW-04) both of which closed on December 19, 2024. See page 28.

CITY OF ELKTON  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2024

|   | Beginning<br>12-31-22 | 2023<br>Additions<br>(Deletions) | 2024<br>Additions<br>(Deletions) | Ending<br>Governmental<br>Funds<br>12-31-24 | Ending<br>Enterprise<br>Funds<br>12-31-24 | Principal<br>Due in<br>2025 |
|---|-----------------------|----------------------------------|----------------------------------|---|---|-----------------------------|
| <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   | 20,060                | -6,733                           | -7,246                           | 6,081                                       |   | 6,081                       |
| 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   | 498,263               | -25,589                          | -19,683                          | 452,991                                     |   | 30,621                      |
| Totals  | 518,323               | -32,322                          | -26,929                          | 459,072                                     |   | 36,702                      |
| <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  | 185,815               | -5,714                           | -5,985                           |   | 174,116                                   | 6,270                       |
| 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  | 31,858                | -980                             | -1,026                           |   | 29,852                                    | 1,075                       |
| 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  | 201,551               | -19,201                          | -19,784                          |   | 162,566                                   | 20,384                      |
| 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. |                       |                                  |                                  |   |   |                             |
| Paid by the water fund  | 742,539               | -16,261                          | -16,540                          |   | 709,738                                   | 16,912                      |
| 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  | 1,127,950             | -24,701                          | -25,125                          |   | 1,078,124                                 | 24,572                      |

CITY OF ELKTON  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2024

|   | Beginning<br>12-31-22 | 2023<br>Additions<br>(Deletions) | 2024<br>Additions<br>(Deletions) | Ending<br>Governmental<br>Funds<br>12-31-24 | Ending<br>Enterprise<br>Funds<br>12-31-24 | Principal<br>Due in<br>2025 |
|---|-----------------------|----------------------------------|----------------------------------|---|---|-----------------------------|
| <b>2021 Clean Water Project Revenue Bond: (SRF)</b>   |                       |                                  |                                  |   |   |                             |
| Original Issues of \$351,007  |                       |                                  |                                  |   |   |                             |
| 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<br>from segregated customer surcharge<br>receipts of the sewer fund. |                       | 124,687                          | 73,142                           |   |   |                             |
| Paid by the sewer fund  | 141,884               | 0                                | -3,730                           |   | 335,983                                   | 9,381                       |
| <b>2021 Drinking Water Project Revenue Bond: (SRF)</b>  |                       |                                  |                                  |   |   |                             |
| Original Issues of \$2,559,810  |                       |                                  |                                  |   |   |                             |
| Total forgiveness of \$1,802,106  |                       |                                  |                                  |   |   |                             |
| Repayment amount of \$757,704   |                       |                                  |                                  |   |   |                             |
| Maturing on January 15, 2054  |                       |                                  |                                  |   |   |                             |
| Interest and fees at 2.125%   |                       |                                  |                                  |   |   |                             |
| Purpose: Phase II of utility improvements   |                       |                                  |                                  |   |   |                             |
| Payable exclusively out of pledged revenue<br>from segregated customer surcharge<br>receipts of the water fund. |                       | 1,306,881                        | 613,839                          |   |   |                             |
|   |                       | -920,045                         | -432,142 forgiven                |   |   |                             |
| Paid by the water fund  | 158,126               | 0                                | -9,775                           |   | 716,884                                   | 17,584                      |
| <b>2024 Clean Water Project Revenue Bond: (SRF)</b>   |                       |                                  |                                  |   |   |                             |
| Original Issues of \$936,000  |                       |                                  |                                  |   |   |                             |
| Maturing on February 15, 2057   |                       |                                  |                                  |   |   |                             |
| Interest and fees at 3.75%  |                       |                                  |                                  |   |   |                             |
| Purpose: Utility improvements   |                       |                                  |                                  |   |   |                             |
| Loan forgiveness of \$0   |                       |                                  |                                  |   |   |                             |
| Payable exclusively out of pledged revenue<br>from segregated customer surcharge<br>receipts of the sewer fund. |                       |                                  |                                  |   |   |                             |
| Paid by the sewer fund  | 0                     |                                  |                                  |   | 0   | 0                           |
| <b>2024 Drinking Water Project Revenue Bond: (SRF)</b>  |                       |                                  |                                  |   |   |                             |
| Original Issues of \$778,000  |                       |                                  |                                  |   |   |                             |
| Maturing on February 15, 2057   |                       |                                  |                                  |   |   |                             |
| Interest and fees at 3.75%  |                       |                                  |                                  |   |   |                             |
| Purpose: Utility improvements   |                       |                                  |                                  |   |   |                             |
| Payable exclusively out of pledged revenue<br>from segregated customer surcharge<br>receipts of the water fund. |                       |                                  |                                  |   |   |                             |
| Paid by the water fund  | 0                     |                                  |                                  |   | 0   | 0                           |
| <b>Totals</b>   | <b>2,589,723</b>      | <b>444,666</b>                   | <b>172,874</b>                   |   | <b>3,207,263</b>                          | <b>96,178</b>               |

CITY OF ELKTON  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2024

| Payment Schedules:                             | Total Payment | Principal | Interest | Balance |
|--|---------------|-----------|----------|---------|
|  | -----         | -----     | -----    | -----   |
| <b>2007 Bank Loan for TIF #2:</b>              |               |           |          |         |
| 2025   | 6,569         | 6,081     | 488      | 0       |
|  | =====         | =====     | =====    |         |
| <b>2009 TIF #3 Developer Contribution:</b>     |               |           |          |         |
| 2025   | 57,000        | 30,621    | 26,379   | 422,370 |
| 2026   | 57,000        | 30,072    | 26,928   | 392,298 |
| 2027   | 57,000        | 31,501    | 25,499   | 360,797 |
| 2028   | 57,000        | 33,484    | 23,516   | 327,313 |
| 2029   | 57,000        | 35,725    | 21,275   | 291,588 |
| 2030-2034                                      | 285,000       | 216,582   | 68,418   | 75,006  |
| 2035-2039                                      | 81,373        | 75,006    | 6,367    | 0       |
|  | -----         | -----     | -----    |         |
| Totals   | 651,373       | 452,991   | 198,382  |         |
|  | =====         | =====     | =====    |         |
| <b>2002 Water Utility Revenue Bonds:</b>       |               |           |          |         |
| 2025   | 14,540        | 6,270     | 8,270    | 167,847 |
| 2026   | 14,540        | 6,567     | 7,973    | 161,280 |
| 2027   | 14,540        | 6,879     | 7,661    | 154,401 |
| 2028   | 14,540        | 7,206     | 7,334    | 147,195 |
| 2029   | 14,540        | 7,548     | 6,992    | 139,647 |
| 2030-2034                                      | 72,699        | 43,472    | 29,227   | 96,175  |
| 2035-2039                                      | 72,700        | 54,825    | 17,875   | 41,350  |
| 2040-2043                                      | 45,508        | 41,350    | 4,158    | 0       |
|  | -----         | -----     | -----    |         |
| Totals   | 263,607       | 174,117   | 89,490   |         |
|  | =====         | =====     | =====    |         |
| <b>2002 Water Utility Revenue Bonds:</b>       |               |           |          |         |
| 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   | 2,493         | 1,235     | 1,258    | 25,237  |
| 2029   | 2,493         | 1,294     | 1,199    | 23,943  |
| 2030-2034                                      | 12,464        | 7,453     | 5,011    | 16,490  |
| 2035-2039                                      | 12,464        | 9,400     | 3,064    | 7,090   |
| 2040-2043                                      | 7,802         | 7,090     | 712      | 0       |
|  | -----         | -----     | -----    |         |
| Totals   | 45,195        | 29,852    | 15,343   |         |
|  | =====         | =====     | =====    |         |
| <b>2010 Clean Water Revenue Bond:</b>          |               |           |          |         |
| 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   | 25,034        | 22,296    | 2,738    | 77,243  |
| 2029   | 25,033        | 22,973    | 2,060    | 54,270  |
| 2030-2032                                      | 56,325        | 54,270    | 2,055    | 0       |
|  | -----         | -----     | -----    |         |
| Totals   | 181,492       | 162,566   | 18,926   |         |
|  | =====         | =====     | =====    |         |
| <b>2020 Drinking Water Revenue Bond: (SRF)</b> |               |           |          |         |
| 2025   | 36,430        | 16,912    | 19,518   | 692,826 |
| 2026   | 36,430        | 17,377    | 19,053   | 675,449 |
| 2027   | 36,430        | 17,855    | 18,575   | 657,594 |
| 2028   | 36,430        | 18,346    | 18,084   | 639,248 |
| 2029   | 36,430        | 18,850    | 17,580   | 620,398 |
| 2030-2034                                      | 182,149       | 102,319   | 79,830   | 518,079 |
| 2035-2039                                      | 182,149       | 117,183   | 64,966   | 400,896 |
| 2040-2044                                      | 182,149       | 134,207   | 47,942   | 266,689 |
| 2045-2049                                      | 182,149       | 153,704   | 28,445   | 112,985 |
| 2050-2053                                      | 119,813       | 112,985   | 6,828    | 0       |
|  | -----         | -----     | -----    |         |
| Totals   | 1,030,559     | 709,738   | 320,821  |         |
|  | =====         | =====     | =====    |         |

CITY OF ELKTON  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)  
FOR THE TWO YEARS ENDING DECEMBER 31, 2024

| Payment Schedules:                                     | Total Payment    | Principal        | Interest       | Balance   |
|--|------------------|------------------|----------------|-----------|
| <b>2020 Clean Water Revenue Bond: (SRF)</b>            |                  |                  |                |           |
| 2025   | 55,338           | 24,572           | 30,766         | 1,053,552 |
| 2026   | 55,338           | 26,366           | 28,972         | 1,027,186 |
| 2027   | 55,338           | 27,091           | 28,247         | 1,000,095 |
| 2028   | 55,338           | 27,836           | 27,502         | 972,259   |
| 2029   | 55,338           | 28,601           | 26,737         | 943,658   |
| 2030-2034  | 276,692          | 155,246          | 121,446        | 788,412   |
| 2035-2039  | 276,693          | 177,799          | 98,894         | 610,613   |
| 2040-2044  | 276,692          | 203,628          | 73,064         | 406,985   |
| 2045-2049  | 276,693          | 233,210          | 43,483         | 173,775   |
| 2050-2053  | 184,394          | 173,775          | 10,619         | 0         |
| <b>Totals</b>  | <b>1,567,854</b> | <b>1,078,124</b> | <b>489,730</b> |           |
| <b>2021 Clean Water Project Revenue Bond: (SRF)</b>    |                  |                  |                |           |
| 2025   |                  | -11,294          |                | 347,277   |
| 2025   | 14,715           | 9,381            | 5,334          | 337,896   |
| 2026   | 15,939           | 8,829            | 7,110          | 329,067   |
| 2027   | 15,939           | 9,018            | 6,921          | 320,049   |
| 2028   | 15,939           | 9,211            | 6,728          | 310,838   |
| 2029   | 15,939           | 9,408            | 6,531          | 301,430   |
| 2030-2034  | 79,694           | 50,152           | 29,542         | 251,278   |
| 2035-2039  | 79,695           | 55,758           | 23,937         | 195,520   |
| 2040-2044  | 79,694           | 61,991           | 17,703         | 133,529   |
| 2045-2049  | 79,695           | 68,921           | 10,774         | 64,608    |
| 2050-2054  | 67,741           | 64,608           | 3,133          | 0         |
| <b>Totals</b>  | <b>464,990</b>   | <b>335,983</b>   | <b>117,713</b> |           |
| <b>2021 Drinking Water Project Revenue Bond: (SRF)</b> |                  |                  |                |           |
| 2025   |                  | -104,883         |                |           |
| 2025   |                  | 73,838           |                |           |
| 2025   | 24,613           | 17,584           | 7,029          | 730,345   |
| 2026   | 34,451           | 19,083           | 15,368         | 711,262   |
| 2027   | 34,451           | 19,492           | 14,959         | 691,770   |
| 2028   | 34,451           | 19,909           | 14,542         | 671,861   |
| 2029   | 34,451           | 20,335           | 14,116         | 651,526   |
| 2030-2034  | 172,256          | 108,401          | 63,855         | 543,125   |
| 2035-2039  | 172,256          | 120,518          | 51,738         | 422,607   |
| 2040-2044  | 172,256          | 133,991          | 38,265         | 288,616   |
| 2045-2049  | 172,256          | 148,969          | 23,287         | 139,647   |
| 2050-2054  | 146,418          | 139,647          | 6,771          | 0         |
| <b>Totals</b>  | <b>997,859</b>   | <b>716,884</b>   | <b>249,930</b> |           |
| <b>2024 Clean Water Project Revenue Bond: (SRF)</b>    |                  |                  |                |           |
| 2025   | 0                | 0                | 0              | 0         |
| 2026   | 0                | -936,000         | 0              | 936,000   |
| 2027   | 114,739          | 12,874           | 101,865        | 923,126   |
| 2028   | 52,105           | 17,735           | 34,370         | 905,391   |
| 2029   | 52,105           | 18,410           | 33,695         | 886,981   |
| 2030-2034  | 260,524          | 103,098          | 157,426        | 783,883   |
| 2035-2039  | 260,524          | 124,251          | 136,273        | 659,632   |
| 2040-2044  | 260,524          | 149,744          | 110,780        | 509,888   |
| 2045-2049  | 260,524          | 180,468          | 80,056         | 329,420   |
| 2050-2053  | 260,524          | 217,496          | 43,028         | 111,924   |
| 2054-2057  | 117,236          | 111,924          | 5,312          | 0         |
| <b>Totals</b>  | <b>1,638,805</b> | <b>0</b>         | <b>702,805</b> |           |
| <b>2024 Drinking Water Project Revenue Bond: (SRF)</b> |                  |                  |                |           |
| 2025   | 0                | 0                | 0              | 0         |
| 2026   | 0                | -778,000         | 0              | 778,000   |
| 2027   | 95,370           | 10,700           | 84,670         | 767,300   |
| 2028   | 43,309           | 14,741           | 28,568         | 752,559   |
| 2029   | 43,309           | 15,302           | 28,007         | 737,257   |
| 2030-2034  | 216,547          | 85,695           | 130,852        | 651,562   |
| 2035-2039  | 216,547          | 103,277          | 113,270        | 548,285   |
| 2040-2044  | 216,547          | 124,467          | 92,080         | 423,818   |
| 2045-2049  | 216,547          | 150,005          | 66,542         | 273,813   |
| 2050-2053  | 216,547          | 180,782          | 35,765         | 93,031    |
| 2054-2057  | 97,446           | 93,031           | 4,415          | 0         |
| <b>Totals</b>  | <b>1,362,169</b> | <b>0</b>         | <b>584,169</b> |           |

CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2024

| GENERAL FUND                                     | Budgeted Amounts |                          |                        | Actual:<br>Budgetary<br>Basis | Variance<br>Positive<br>(Negative) |
|--|------------------|--------------------------|------------------------|-------------------------------|------------------------------------|
|  | Original         | Contingency<br>Transfers | Supplemental:<br>Final |                               |                                    |
| <b>Receipts:</b>                                 |                  |                          |                        |                               |                                    |
| Receipts from local sources:                     |                  |                          |                        |                               |                                    |
| Taxes and all receipts:                          | 553,100          |                          | 553,100                |                               | -553,100                           |
| Ad valorem taxes                                 |                  |                          | 0                      | 286,842                       | 286,842                            |
| General sales and use taxes                      |                  |                          |                        | 164,658                       | 164,658                            |
| Licenses and permits:                            |                  |                          | 0                      | 689                           | 689                                |
| Intergovernmental receipts:                      |                  |                          |                        |                               |                                    |
| Federal grant: Fire                              |                  |                          |                        | 6,050                         | 6,050                              |
| State shared receipts:                           |                  |                          |                        |                               |                                    |
| Grant - mosquito                                 |                  |                          |                        | 1,193                         | 1,193                              |
| Bank franchise tax                               |                  |                          |                        | 5,555                         | 5,555                              |
| Port of entry                                    |                  |                          |                        | 1,444                         | 1,444                              |
| Liquor tax revision                              |                  |                          |                        | 5,163                         | 5,163                              |
| 5% Motor vehicle license                         |                  |                          |                        | 10,188                        | 10,188                             |
| Highway and bridge                               |                  |                          |                        | 29,848                        | 29,848                             |
| County shared receipts:                          |                  |                          |                        | 3,817                         | 3,817                              |
| Charges for goods and services:                  |                  |                          |                        |                               |                                    |
| General government                               |                  |                          |                        |                               | 0                                  |
| Fire services                                    |                  |                          |                        | 221,370                       | 221,370                            |
| Ambulance  |                  |                          |                        | 21,332                        | 21,332                             |
| Sanitation                                       |                  |                          |                        | 61,911                        | 61,911                             |
| Special assessments                              |                  |                          |                        | 1,359                         | 1,359                              |
| Culture and recreation                           |                  |                          | 0                      | 3,539                         | 3,539                              |
| Fines and forfeits:                              |                  |                          | 0                      |                               | 0                                  |
| Miscellaneous receipts:                          |                  |                          |                        |                               |                                    |
| Interest received                                |                  |                          |                        | 27,773                        | 27,773                             |
| Rents and franchise fees                         |                  |                          |                        | 10,485                        | 10,485                             |
| Revolving loan payments                          |                  |                          |                        | 9,000                         | 9,000                              |
| Donations  |                  |                          |                        |                               | 0                                  |
| Other  |                  |                          | 0                      | 12,527                        | 12,527                             |
| <b>Total receipts</b>                            | <b>553,100</b>   | <b>0</b>                 | <b>0</b>               | <b>884,743</b>                | <b>331,643</b>                     |
| <b>Disbursements:</b>                            |                  |                          |                        |                               |                                    |
| General government:                              |                  |                          |                        |                               |                                    |
| Mayor and Council                                | 24,250           |                          | 24,250                 | 22,081                        | 2,169                              |
| Contingency                                      | 27,000           |                          | 27,000                 |                               | 27,000                             |
| Amount transferred                               |                  | -27,000                  | -27,000                |                               | -27,000                            |
| Elections  | 750              |                          | 750                    | 36                            | 714                                |
| Financial administration                         | 133,300          | 9,882                    | 143,182                | 139,577                       | 3,605                              |
| Government buildings                             | 29,350           | 12,612                   | 71,600                 | 111,599                       | 1,963                              |
| Public safety:                                   |                  |                          |                        |                               |                                    |
| Police   | 35,500           |                          | 35,500                 | 35,124                        | 376                                |
| Fire   | 18,500           |                          | 18,500                 | 303,811                       | -285,311                           |
| Protective inspection                            | 10,000           |                          | 10,000                 | 2,530                         | 7,470                              |
| Public works:                                    |                  |                          |                        |                               |                                    |
| Highways and Streets                             | 111,800          |                          | 111,800                | 104,127                       | 7,673                              |
| Sanitation                                       | 55,600           | 3,600                    | 59,200                 | 58,937                        | 263                                |
| Cemetery   | 3,000            |                          | 3,000                  |                               | 3,000                              |
| Health and welfare:                              |                  |                          |                        |                               |                                    |
| West Nile  | 2,000            | 906                      | 2,906                  | 2,906                         | 0                                  |
| Ambulance  | 7,100            |                          | 7,100                  | 44,310                        | -37,210                            |
| Culture and recreation:                          |                  |                          |                        |                               |                                    |
| Parks and recreation                             | 182,510          |                          | 35,400                 | 217,910                       | 22,373                             |
| Library  | 30,300           |                          | 30,300                 | 31,586                        | -1,286                             |
| Economic development:                            | 45,000           |                          | 45,000                 | 195,513                       | -150,513                           |
| <b>Total disbursements</b>                       | <b>715,960</b>   | <b>0</b>                 | <b>107,000</b>         | <b>1,074,510</b>              | <b>-251,550</b>                    |
| Excess of receipts<br>over (under) disbursements | -162,860         | 0                        | -107,000               | -269,860                      | 80,093                             |
| Other financing sources (uses):                  |                  |                          |                        |                               |                                    |
| Ambulance grant                                  |                  |                          | 0                      | 19,052                        | 19,052                             |
| Net change in fund cash balance                  | -162,860         | 0                        | -107,000               | -269,860                      | 99,145                             |
| Fund cash balance:                               |                  |                          |                        |                               |                                    |
| January 1, 2024                                  | 1,425,859        |                          | 1,425,859              | 1,425,859                     | 0                                  |
| December 31, 2024                                | 1,262,999        | 0                        | -107,000               | 1,155,999                     | 99,145                             |

CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2023

| GENERAL FUND                                     | Budgeted Amounts |                          |               |           | Actual:<br>Budgetary<br>Basis | Variance<br>Positive<br>(Negative) |
|--|------------------|--------------------------|---------------|-----------|-------------------------------|------------------------------------|
|  | Original         | Contingency<br>Transfers | Supplementals | Final     |                               |                                    |
| Receipts:  |                  |                          |               |           |                               |                                    |
| Receipts from local sources:                     |                  |                          |               |           |                               |                                    |
| Taxes and all receipts:                          | 497,100          |                          |               | 497,100   |                               | -497,100                           |
| Ad valorem taxes                                 |                  |                          |               | 0         | 270,738                       | 270,738                            |
| General sales and use taxes                      |                  |                          |               |           | 157,880                       | 157,880                            |
| Licenses and permits:                            |                  |                          |               | 0         | 2,474                         | 2,474                              |
| Intergovernmental receipts:                      |                  |                          |               |           |                               |                                    |
| State shared receipts:                           |                  |                          |               |           |                               |                                    |
| Grant - mosquito                                 |                  |                          |               |           | 822                           | 822                                |
| Bank franchise tax                               |                  |                          |               |           | 7,034                         | 7,034                              |
| Port of entry                                    |                  |                          |               |           | 1,470                         | 1,470                              |
| Liquor tax revision                              |                  |                          |               |           | 5,190                         | 5,190                              |
| 5% Motor vehicle license                         |                  |                          |               |           | 10,095                        | 10,095                             |
| Highway and bridge                               |                  |                          |               |           | 29,741                        | 29,741                             |
| County shared receipts:                          |                  |                          |               |           | 3,845                         | 3,845                              |
| Charges for goods and services:                  |                  |                          |               |           |                               |                                    |
| General government                               |                  |                          |               |           | 200                           | 200                                |
| Fire services                                    |                  |                          |               |           | 84,955                        | 84,955                             |
| Ambulance  |                  |                          |               |           | 17,428                        | 17,428                             |
| Sanitation                                       |                  |                          |               |           | 58,991                        | 58,991                             |
| Special assessments                              |                  |                          |               |           | 1,339                         | 1,339                              |
| Culture and recreation                           |                  |                          |               | 0         | 5,791                         | 5,791                              |
| Fines and forfeits:                              |                  |                          |               | 0         | 300                           | 300                                |
| Miscellaneous receipts:                          |                  |                          |               |           |                               |                                    |
| Interest received                                |                  |                          |               |           | 17,717                        | 17,717                             |
| Rents and franchise fees                         |                  |                          |               |           | 9,149                         | 9,149                              |
| Revolving loan payments                          |                  |                          |               |           | 5,500                         | 5,500                              |
| Donations  |                  |                          |               |           |                               | 0                                  |
| Other  |                  |                          |               | 0         | 8,679                         | 8,679                              |
| Total receipts                                   | 497,100          | 0                        | 0             | 497,100   | 699,338                       | 202,238                            |
| Disbursements:                                   |                  |                          |               |           |                               |                                    |
| General government:                              |                  |                          |               |           |                               |                                    |
| Mayor and Council                                | 24,250           |                          |               | 24,250    | 19,375                        | 4,875                              |
| Contingency                                      | 24,000           |                          |               | 24,000    |                               | 24,000                             |
| Amount transferred                               |                  | -24,000                  |               | -24,000   |                               | -24,000                            |
| Elections  | 750              |                          |               | 750       |                               | 750                                |
| Financial administration                         | 119,800          | 8,300                    |               | 128,100   | 115,551                       | 12,549                             |
| Government buildings                             | 24,350           | 1,700                    |               | 26,050    | 24,062                        | 1,988                              |
| Public safety:                                   |                  |                          |               |           |                               |                                    |
| Police   | 35,500           |                          |               | 35,500    | 34,895                        | 605                                |
| Fire   | 18,500           |                          |               | 18,500    | 86,610                        | -68,110                            |
| Protective inspection                            | 10,000           |                          |               | 10,000    | 5,171                         | 4,829                              |
| Public works:                                    |                  |                          |               |           |                               |                                    |
| Highways and Streets                             | 108,600          | 5,300                    |               | 113,900   | 113,262                       | 638                                |
| Sanitation                                       | 55,600           | 1,500                    |               | 57,100    | 56,642                        | 458                                |
| Cemetery   | 3,000            |                          |               | 3,000     |                               | 3,000                              |
| Health and welfare:                              |                  |                          |               |           |                               |                                    |
| West Nile  | 2,000            |                          |               | 2,000     | 1,803                         | 197                                |
| Ambulance  | 7,100            |                          |               | 7,100     | 11,301                        | -4,201                             |
| Culture and recreation:                          |                  |                          |               |           |                               |                                    |
| Parks and recreation                             | 141,010          | 7,200                    |               | 148,210   | 17,580                        | 130,630                            |
| Library  | 25,900           |                          |               | 25,900    | 26,513                        | -613                               |
| Economic development:                            | 25,000           |                          |               | 25,000    | 130,616                       | -105,616                           |
| Total disbursements                              | 625,360          | 0                        | 0             | 625,360   | 643,381                       | -18,021                            |
| Excess of receipts<br>over (under) disbursements | -128,260         | 0                        | 0             | -128,260  | 55,957                        | 184,217                            |
| Other financing sources (uses):                  |                  |                          |               |           |                               |                                    |
| None   |                  |                          |               | 0         |                               | 0                                  |
| Net change in fund cash balance                  | -128,260         | 0                        | 0             | -128,260  | 55,957                        | 184,217                            |
| Fund cash balance:                               |                  |                          |               |           |                               |                                    |
| January 1, 2023, restated                        | 1,369,902        |                          |               | 1,369,902 | 1,369,902                     | 0                                  |
| December 31, 2023                                | 1,241,642        | 0                        | 0             | 1,241,642 | 1,425,859                     | 184,217                            |

CITY OF ELKTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2024

| 2ND CENT SALES TAX FUND                                    | Budgeted Amounts |               |                | Actual<br>(Modified<br>Cash Basis) | Variance<br>Positive<br>(Negative) |
|--|------------------|---------------|----------------|------------------------------------|------------------------------------|
|  | Original         | Supplementals | Final          |                                    |                                    |
| <b>Receipts:</b>   |                  |               |                |                                    |                                    |
| General sales taxes  | 140,000          |               | 140,000        | 164,658                            | 24,658                             |
| Interest received  |                  |               | 0              | 1,659                              | 1,659                              |
| <b>Total receipts</b>                                      | <b>140,000</b>   | <b>0</b>      | <b>140,000</b> | <b>166,317</b>                     | <b>26,317</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<br/>  over (under) disbursements</b> |                  | <b>0</b>      | <b>140,000</b> | <b>166,317</b>                     | <b>26,317</b>                      |
| <b>Other financing sources (uses):</b>                     |                  |               |                |                                    |                                    |
| None   |                  |               | 0              |                                    | 0                                  |
| <b>Change in fund balance</b>                              | <b>0</b>         | <b>0</b>      | <b>140,000</b> | <b>166,317</b>                     | <b>26,317</b>                      |
| <b>Fund balance:</b>                                       |                  |               |                |                                    |                                    |
| January 1, 2024  | 666,465          |               | 666,465        | 666,465                            | 0                                  |
| December 31, 2024  | 666,465          | 0             | 806,465        | 832,782                            | 26,317                             |

FOR THE YEAR ENDING DECEMBER 31, 2023

|  | Budgeted Amounts |               |                | Actual<br>(Modified<br>Cash Basis) | Variance<br>Positive<br>(Negative) |
|--|------------------|---------------|----------------|------------------------------------|------------------------------------|
|  | Original         | Supplementals | Final          |                                    |                                    |
| <b>Receipts:</b>   |                  |               |                |                                    |                                    |
| General sales taxes  | 100,000          |               | 100,000        | 157,880                            | 57,880                             |
| Interest received  |                  |               | 0              | 1,660                              | 1,660                              |
| <b>Total receipts</b>                                      | <b>100,000</b>   | <b>0</b>      | <b>100,000</b> | <b>159,540</b>                     | <b>59,540</b>                      |
| <b>Disbursements:</b>                                      |                  |               |                |                                    |                                    |
| Public safety: Fire  |                  |               | 0              |                                    | 0                                  |
| Public works: Streets                                      |                  |               | 0              |                                    | 0                                  |
| 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>0</b>                           | <b>0</b>                           |
| <b>Excess of receipts<br/>  over (under) disbursements</b> | <b>100,000</b>   | <b>0</b>      | <b>100,000</b> | <b>159,540</b>                     | <b>59,540</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>159,540</b>                     | <b>59,540</b>                      |
| <b>Fund balance:</b>                                       |                  |               |                |                                    |                                    |
| January 1, 2023, restated                                  | 506,925          |               | 506,925        | 506,925                            | 0                                  |
| December 31, 2023  | 606,925          | 0             | 606,925        | 666,465                            | 59,540                             |

SUPPLEMENTARY INFORMATION - BUDGETS

BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND 2<sup>nd</sup> CENT SALES TAX FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2024

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 2023 there were no supplemental budgets. During 2024 there was a supplemental budget. See page 31 and 32.
- e. Formal budgetary integration is employed as a management control device for the general fund and 2nd cent sales tax fund. No budget was adopted for the library fund.
- f. Budgets for the general fund and 2nd cent sales tax fund 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 TEN YEARS ENDING DECEMBER 31, 2024

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

| SDRS<br>Measurement Date<br>Year Ended (1) | City's<br>Pension<br>Allocation<br>Percentage | City's<br>Share of<br>Net Pension<br>(Asset)<br>Liability | City's<br>Covered<br>Employee<br>Payroll<br>for its<br>6-30<br>Year End | City's<br>Proportionate<br>Share of the<br>Net Pension<br>(Asset)<br>Liability as a<br>Percentage of<br>its Covered<br>Employee<br>Payroll | Plan<br>Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|---|---|--|---|
| June 30, 2024                              | 0.0076260%                                    | -309  | 213,950   | (00.15%)   | 100.00%   |
| June 30, 2023                              | 0.0071230%                                    | -695  | 183,717   | (00.38%)   | 100.10%   |
| 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%   |

(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.

CITY OF ELKTON  
 FOR THE TEN YEARS ENDING DECEMBER 31, 2024

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

| City's<br>Year Ended | Contractually<br>Required<br>Contribution | Contributions<br>Related to the<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | City's<br>Covered<br>Employee<br>Payroll<br>for its<br>Calendar<br>Year End | Contributions<br>as a<br>Percentage of<br>Covered<br>Employee<br>Payroll |
|----------------------|---|--|--|---|--|
| December 31, 2024    | 14,341                                    | 14,341   | 0                                      | 239,017   | 6.00%  |
| December 31, 2023    | 10,637                                    | 10,637   | 0                                      | 177,283   | 6.00%  |
| 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%  |

Note: This schedule is intended to show information for ten years.

CITY OF ELKTON  
DECEMBER 31, 2024

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, 2024

Changes of Prior Valuation:

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2024 legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

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

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

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, 2024 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated April 13, 2026 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 2024-01, -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 April 13, 2026.

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 2024-02 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 April 13, 2026.

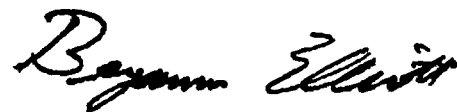
Purpose of this Report

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

April 13, 2026



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings:

There are no prior year federal compliance audit findings.

Prior Other Audit Findings:

2022-01 (lack of proper segregation of duties): Repeated below as 2024-01  
2022-02 (capital asset records): Repeated below as 2024-02  
2022-03 (preparation of financial statement): Repeated below as 2024-03  
2022-04 (fire and ambulance records): Repeated below as 2024-04

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2024-01: Lack of Proper Segregation of Duties  
(internal control - first reported in 2003)

*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 2024-02: Capital Asset Records  
(internal control and compliance - first reported in 2003)

*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 result 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 2024-03: Preparation of Financial Statements  
(internal control - first reported in 2005)

*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 2024-04: Fire and Ambulance Department Records  
(internal control and compliance - first reported in 2008)

*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.