

***SOUTH DAKOTA ELLSWORTH  
DEVELOPMENT AUTHORITY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020***

**South Dakota Ellsworth Development Authority**  
**Table of Contents**  
**June 30, 2020**

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	<u>PAGE</u>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1 - 2
Schedule of Current Year Audit Findings.....	3
Schedule of Prior Audit Findings.....	4
Independent Auditor’s Report .....	5 - 6
Management’s Discussion and Analysis.....	7 - 13
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	14
Statement of Activities.....	15
Balance Sheet - General Fund.....	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund.....	18
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	19
Statement of Net Position - Proprietary Fund.....	20
Statement of Revenues, Expenses, and Change in Fund Net Position - Proprietary Fund.....	21
Statement of Cash Flows.....	22
Notes to the Financial Statements.....	23 - 35
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Operations Expenses.....	36



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

**Board of Directors  
South Dakota Ellsworth Development Authority  
Rapid City, South Dakota**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each of the major funds of South Dakota Ellsworth Development Authority, Rapid City, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise South Dakota Ellsworth Development Authority's basic financial statements and have issued our report thereon dated October 9, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered South Dakota Ellsworth Development Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Ellsworth Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Dakota Ellsworth Development Authority's internal control.

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

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

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether South Dakota Ellsworth Development Authority 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

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

Handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota  
October 9, 2020



**Ellsworth Development Authority**

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**SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**

**No current findings for the year ended June 30, 2020.**



**Ellsworth Development Authority**

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**PRIOR AUDIT FINDINGS**

**There were no findings reported in 2019.**



## *INDEPENDENT AUDITOR'S REPORT*

**Board of Directors  
South Dakota Ellsworth Development Authority  
Rapid City, South Dakota  
Report on The Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of South Dakota Ellsworth Development Authority , Rapid City, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the South Dakota Ellsworth Development Authority's basic financial statements, as listed in the table of contents.

### *Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of South Dakota Ellsworth Development Authority, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 7 through 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Dakota Ellsworth Development Authority's basic financial statements. The schedule of operations expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operations expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operations expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020, on our consideration of South Dakota Ellsworth Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Dakota Ellsworth Development Authority'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 South Dakota Ellsworth Development Authority's internal control over financial reporting and compliance.



Mitchell, South Dakota  
October 9, 2020

# South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Dakota Ellsworth Development Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the Authority's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- Net position from governmental and business-type activities increased by \$252,349. During the year, Cash and Accounts Receivable increased \$956,786. This is due to the sale of a property owned by the Authority and the timing of collections and billings for the Waste Water Treatment Plant.
- During the year, the Authority's revenues decreased by \$4.5 million, primarily due to the purchase of several larger properties in 2019 through the REPI Program.
- During the year, the Authority's expenses decreased by \$3.3 million, also related to the purchase of several larger properties in 2019 through the REPI Program.
- The General Fund Balance decreased by \$79,665 due to a decrease in local grant funds and fewer property sales.
- The Waste Water Treatment Fund experienced an increase in net position of \$332,012.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements (government-wide and fund financial statements). The basic financial statements include two kinds of statements that present different views of the Authority:

- The Statement of Net Position and Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operation in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general governmental services are financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities that the Authority operates like businesses. The only proprietary fund operated by the Authority is the Waste Water Treatment Fund.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures, so statement users have a complete picture of the Authority's financial activities and position.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2020**

Figure A-1 summarizes the major features of the Authority's financial statements, including the portion of the activities reported and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-1</b>			
	Government-Wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire Authority	The activities that are not proprietary	Activities that operate similar to private businesses, the Waste Water Treatment Plant
Required Financial Statements	*Statement of Net Position *Statement of Activities	* Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/ Deferred Outflow of Resources/ Liability/ Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon enough thereafter, all deferred outflows and inflows of resources, no capital or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

# South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2020

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## Government-wide Financial Statements

The view of the Authority as a whole looks at all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?" The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The government-wide financial statements report information about the Authority as a whole using full accrual accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Authority's net position are useful indicators on whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, the accomplishment of its mission to support and protect Ellsworth Airforce Base needs to be considered.

The Statement of Activities presents information showing how the net position of the Authority changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the sale of land held for development).

In the government-wide financial statements, the Authority's activities are reported in two categories:

- **Governmental Activities** - This category includes the Authority's basic functions of economic development and compatible uses of properties surrounding Ellsworth Air Force Base. Federal and State appropriations and donations finance most of these activities.
- **Business-type Activities** - The Authority operates a Waste Water Treatment Plant for the City of Box Elder and Ellsworth Air Force Base.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's individual funds - not the Authority as a whole. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Funds are accounting devices that are used to ensure and demonstrate compliance with finance-related legal requirements.

The Authority has two kinds of funds:

*Governmental Funds* - Most of the Authority's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at the year-end that are available for funding future basic services (an accounting method called modified accrual accounting). The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, an explanation of additional information is included at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2020**

*Proprietary Funds - Enterprise Funds* - Services for which the Authority charges customers a fee and for which revenues are expected to cover all expenses are generally reported in proprietary funds-enterprise funds. Enterprise funds, like the government-wide financial statements, provide both short and long-term financial information. The enterprise funds use the same basis of accounting as business-type activities. Therefore, these statements will essentially match the information provided in the statements for the Authority as a whole. The Waste Water Treatment Fund is the only enterprise fund maintained by the Authority.

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net Position**

Table A-1  
South Dakota Ellsworth Development Authority  
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019 - 2020
Current and Other Assets	\$ 7,534,234	\$ 8,278,292	\$ 926,104	\$ 1,138,832	\$ 8,460,338	\$ 9,417,124	11.31%
Capital Assets (Net of Depreciation)	69	71	19,950,244	19,100,100	19,950,313	19,100,171	-4.26%
<b>Total Assets</b>	<u>7,534,303</u>	<u>8,278,363</u>	<u>20,876,348</u>	<u>20,238,932</u>	<u>28,410,651</u>	<u>28,517,295</u>	0.38%
Long-term Liabilities Outstanding	1,620,500	1,620,500	20,209,469	19,183,513	21,829,969	20,804,013	-4.70%
Other Liabilities	2,448,687	3,272,410	88,344	144,872	2,537,031	3,417,282	34.70%
<b>Total Liabilities</b>	<u>4,069,187</u>	<u>4,892,910</u>	<u>20,297,813</u>	<u>19,328,385</u>	<u>24,367,000</u>	<u>24,221,295</u>	-0.60%
Net Investment in Capital Assets	69	71	376,278	521,816	376,347	521,887	38.67%
Unrestricted	<u>3,465,047</u>	<u>3,385,382</u>	<u>202,257</u>	<u>388,731</u>	<u>3,667,304</u>	<u>3,774,113</u>	2.91%
<b>Total Net Position</b>	<u>\$ 3,465,116</u>	<u>\$ 3,385,453</u>	<u>\$ 578,535</u>	<u>\$ 910,547</u>	<u>\$ 4,043,651</u>	<u>\$ 4,296,000</u>	6.24%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The difference between the Authority's assets and liabilities is net position.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2020**

**Changes in Net Position**

**Table A-2  
South Dakota Ellsworth Development Authority  
Statement of Net Position**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019 - 2020
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 61,904	\$ 47,501	\$ 2,670,809	\$ 2,675,125	\$ 2,732,713	\$ 2,722,626	-0.37%
Operating Grants and Contributions	509,000	302,500	-	-	509,000	302,500	-40.57%
Capital Grants and Contributions	4,424,848	-	-	-	4,424,848	-	-100.00%
General Revenues							
Gain (Loss) on Sales of Properties	620,999	745,227	-	-	620,999	745,227	20.00%
Unrestricted Earnings	1,531	4,902	12,838	7,111	14,369	12,013	-16.40%
Total Revenues	<u>5,618,282</u>	<u>1,100,130</u>	<u>2,683,647</u>	<u>2,682,236</u>	<u>8,301,929</u>	<u>3,782,366</u>	-54.44%
<b>Expenses</b>							
Compatible Use and Development	4,485,565	1,179,793	-	-	4,485,565	1,179,793	-73.70%
Waste Water Treatment	-	-	2,375,856	2,350,224	2,375,856	2,350,224	-1.08%
Total Expenses	<u>4,485,565</u>	<u>1,179,793</u>	<u>2,375,856</u>	<u>2,350,224</u>	<u>6,861,421</u>	<u>3,530,017</u>	-48.55%
Change in Net Position	<u>\$ 1,132,717</u>	<u>\$ (79,663)</u>	<u>\$ 307,791</u>	<u>\$ 332,012</u>	<u>\$ 1,440,508</u>	<u>\$ 252,349</u>	-82.48%

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$1,699,153, which is a decrease of \$79,665 compared to the prior year.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2020**

**CAPITAL ASSET ADMINISTRATION**

The Authority has invested \$19,100,171 in capital assets, net of accumulated depreciation as of June 30, 2020. The major capital assets of the Authority consist of the Waste Water Treatment Plant and related infrastructure.

**Table A-3  
South Dakota Ellsworth Development Authority  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2019	2020	2019	2020	2019 - 2020	2019 - 2020
Land Easements	\$ 69	\$ 71	\$ -	\$ -	\$ 2	2.90%
Buildings	-	-	14,390,585	13,817,273	(573,312)	-3.98%
Improvements	-	-	5,559,659	5,282,827	(276,832)	-4.98%
<b>Total Capital Assets (Net)</b>	<b>\$ 69</b>	<b>\$ 71</b>	<b>\$ 19,950,244</b>	<b>\$ 19,100,100</b>	<b>\$ (850,142)</b>	<b>-4.26%</b>

**LONG-TERM DEBT**

As of June 30, 2020, the Authority had \$20,804,013 of outstanding bonds and other debt obligations.

**Table A-4  
South Dakota Ellsworth Development Authority  
Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2019	2020	2019	2020	2019 - 2020	2019 - 2020
NSP Loan	\$ 1,620,500	\$ 1,620,500	\$ -	\$ -	\$ -	0.00%
Bonds	-	-	20,209,469	19,183,513	(1,025,956)	-5.08%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 1,620,500</b>	<b>\$ 1,620,500</b>	<b>\$ 20,209,469</b>	<b>\$ 19,183,513</b>	<b>\$ (1,025,956)</b>	<b>-5.08%</b>

The Authority retired bonds of \$1,025,956 related to the Waste Water Treatment Plan and infrastructure.

**ECONOMIC FACTORS**

The Authority is committed to partnerships with the City of Box Elder and Ellsworth Air Force Base (EAFB) to promote economic development and growth. The Authority's current economic model is based on a \$600,000 annual budget which includes an annual \$300,000 Governor's Office of Economic Development (GOED) grant; \$200,000 of local funding, and \$100,000 from Regional Waste Water Treatment Plant (RWWTP) end-user administrative fees. The RWWTP end users are the City of Box Elder and EAFB. The end users have signed separate 20-year agreements with the Authority regarding the operations and debt service of the RWWTP.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2020**

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The Department of Defense REPI (Readiness Environmental Protection Integration) program, operated by the Authority, is based on matching funds from the federal level and funds from supporting entities.

In May 2019, the USAF designated EAFB as the official training location of the B-21 "Raider" Strategic Bomber and the home of the first operational B-21 squadron. These programs will have an unprecedented and significant positive economic impact on the State of South Dakota.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Scott Landguth, Executive Director; David Kneafsey, COL, US Army (Retired), Operations Manager; or Glen Kane Managing Director; at South Dakota Ellsworth Development Authority, PO Box 477, Rapid City, SD 57709.

**South Dakota Ellsworth Development Authority**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash	\$ 4,360,203	\$ 640,693	\$ 5,000,896
Accounts Receivable	13,375	452,852	466,227
Long-term Notes Receivable, Net	50,000	-	50,000
Capital Credits	-	45,287	45,287
Assets Held for Development, Net	3,854,714	-	3,854,714
Land and Easements	71	-	71
Buildings	-	17,199,375	17,199,375
Improvements	-	6,920,781	6,920,781
Equipment	3,424	-	3,424
Accumulated Depreciation	<u>(3,424)</u>	<u>(5,020,056)</u>	<u>(5,023,480)</u>
<b>TOTAL ASSETS</b>	<u>8,278,363</u>	<u>20,238,932</u>	<u>28,517,295</u>
<b>LIABILITIES</b>			
Accounts Payable	12,604	82,697	95,301
Accrued Interest	-	62,175	62,175
Unearned Revenue	3,259,806	-	3,259,806
Long-term Debt:			
Due in One Year	-	1,057,075	1,057,075
Due in More than One Year	<u>1,620,500</u>	<u>18,126,438</u>	<u>19,746,938</u>
<b>TOTAL LIABILITIES</b>	<u>4,892,910</u>	<u>19,328,385</u>	<u>24,221,295</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	71	521,816	521,887
Unrestricted	<u>3,385,382</u>	<u>388,731</u>	<u>3,774,113</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,385,453</u>	<u>\$ 910,547</u>	<u>\$ 4,296,000</u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Compatible Use and Development	\$ 1,179,793	\$ 47,501
Total Governmental Activities	<u>1,179,793</u>	<u>47,501</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Waste Water Treatment	<u>2,350,224</u>	<u>2,675,125</u>
Total Business-type Activities	<u>2,350,224</u>	<u>2,675,125</u>
Total Primary Government	<u>\$ 3,530,017</u>	<u>\$ 2,722,626</u>

The accompanying notes are an integral part of this statement..

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 302,500	\$ -	\$ (829,792)	\$ -	\$ (829,792)
<u>302,500</u>	<u>-</u>	<u>(829,792)</u>	<u>-</u>	<u>(829,792)</u>
-	-	-	324,901	324,901
-	-	-	324,901	324,901
<u>\$ 302,500</u>	<u>\$ -</u>	<u>(829,792)</u>	<u>324,901</u>	<u>(504,891)</u>
<b>GENERAL REVENUES</b>				
		4,902	7,111	12,013
		<u>745,227</u>	<u>-</u>	<u>745,227</u>
		<u>750,129</u>	<u>7,111</u>	<u>757,240</u>
<b>CHANGE IN NET POSITION</b>		(79,663)	332,012	252,349
<b>NET POSITION - BEGINNING</b>		<u>3,465,116</u>	<u>578,535</u>	<u>4,043,651</u>
<b>NET POSITION - ENDING</b>		<u>\$ 3,385,453</u>	<u>\$ 910,547</u>	<u>\$ 4,296,000</u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority**  
**Balance Sheet - General Fund**  
**June 30, 2020**

	General Fund
<b>ASSETS</b>	
Cash	\$ 4,360,203
Accounts Receivable	13,375
Long-term Notes Receivable, Net of Allowance	50,000
Assets Held for Development, Net	3,854,714
<b>TOTAL ASSETS</b>	<b>\$ 8,278,292</b>
<b>LIABILITIES</b>	
Accrued Expenses	\$ 12,604
Unearned Revenue	3,259,806
<b>TOTAL LIABILITIES</b>	<b>3,272,410</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Contributions Not Available	3,306,729
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,306,729</b>
<b>FUND BALANCE</b>	
Nonspendable:	
Noncurrent Notes Receivable	50,000
Assets Held for Development, Net of Deferred Inflows of Resources	547,985
Unassigned	1,101,168
<b>TOTAL FUND BALANCE</b>	<b>1,699,153</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 8,278,292</b>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority  
Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position  
June 30, 2020**

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Total Governmental Fund Balance	\$ 1,699,153
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	71
Revenue from donated land held for development is not available to pay current period expenditures and therefore, is a deferred inflow of resources in the General Fund.	3,306,729
Long-term debt is not due and payable in the current period and therefore is not reported as a liability in the General Fund.	<u>(1,620,500)</u>
Net Position of Governmental Activities	<u>\$ 3,385,453</u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - General Fund  
For the Year Ended June 30, 2020**

	<u>General Fund</u>
<b>REVENUES</b>	
State Revenue:	
Operating Grants	\$ 300,000
Local Revenue:	
Operating Contributions from Private Parties	2,500
Rentals	47,501
Earnings on Deposits	4,902
Total Revenues	354,903
<b>EXPENDITURES</b>	
Compatible Use and Economic Development	976,900
Capital Outlays	202,895
Total Expenditures	1,179,795
Excess of Expenditures over Revenues	(824,892)
<b>OTHER FINANCING SOURCES</b>	
Sale of Property	745,227
<b>CHANGE IN FUND BALANCES</b>	(79,665)
<b>FUND BALANCES - BEGINNING</b>	1,778,818
<b>FUND BALANCES - ENDING</b>	\$ 1,699,153

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority  
Reconciliation of Governmental Fund Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2020**

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Total Governmental Fund Net Change in Fund Balances	\$ (79,665)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report expenditures for capital assets purchased, while these purchases are reported as assets in the Government-wide statements.	202,895
Governmental funds do not report impairments of assets, but rather proceeds from disposal of assets. On the Statement of Activities, impairments are recognized net of any proceeds received.	<u>(202,893)</u>
Change in Net Position of Governmental Activities	<u>\$ (79,663)</u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2020**

	<u>Waste Water Treatment Plant</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 640,693
Accounts Receivable	<u>452,852</u>
Total Current Assets	<u>1,093,545</u>
Capital Assets:	
Buildings	17,199,375
Improvements	6,920,781
Accumulated Depreciation	<u>(5,020,056)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>19,100,100</u>
Noncurrent Assets:	
Capital Credits	<u>45,287</u>
<b>TOTAL ASSETS</b>	<u><u>20,238,932</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	82,697
Accrued Interest	62,175
Current Maturities of Long-term Debt	<u>1,057,075</u>
Total Current Liabilities	1,201,947
Long-term Liabilities	<u>18,126,438</u>
<b>TOTAL LIABILITIES</b>	<u><u>19,328,385</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	521,816
Unrestricted	<u>388,731</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 910,547</u></u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority  
Statement of Revenues, Expenses and Changes in  
Fund Net Position - Proprietary Fund  
For the Year Ended June 30, 2020**

	<u>Waste Water Treatment Plant</u>
<b>OPERATING REVENUES</b>	
Revenues Pledged to Service Long-term Debt:	
Charges for Services	<u>\$ 2,675,125</u>
<b>OPERATING EXPENSES</b>	
Contracted Services	538,581
Other Expenses	370,384
Depreciation	<u>850,144</u>
Total Operating Expenses	<u>1,759,109</u>
Operating Income	<u>916,016</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Expense	(591,115)
Interest Income	<u>7,111</u>
Total Nonoperating Revenues (Expenses)	<u>(584,004)</u>
<b>CHANGE IN NET POSITION</b>	332,012
<b>NET POSITION - BEGINNING</b>	<u>578,535</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 910,547</u></u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<u>Waste Water Treatment Plant</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Receipts from Customers	\$ 2,700,718
Cash Payments to Vendors for Goods and Services	<u>(848,883)</u>
Net Cash Provided by Operating Activities	<u>1,851,835</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest Paid on Capital Debt	(594,436)
Principal Paid on Capital Debt	<u>(1,025,956)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,620,392)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	231,443
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>409,250</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 640,693</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 916,016
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	850,144
Capital Credits Applied to Utility Expenses	233
Change in Assets and Liabilities:	
Accounts Receivable	25,593
Accounts Payable	<u>59,849</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,851,835</u>

The accompanying notes are an integral part of this statement..

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

South Dakota Ellsworth Development Authority (the Authority) is a component unit of the State of South Dakota and is exempt from federal income taxes. The Authority was created under SDCL 1-16J for the purpose of protecting and promoting the economic impact of Ellsworth Air Force Base and associated industry, and to promote the health and safety of those living or working near the base.

In conformity with Governmental Accounting and Financial Reporting Standards, South Dakota Ellsworth Development Authority is the reporting entity for financial reporting purposes. The Authority is governed by a board of seven members that are appointed by the Governor of the State of South Dakota. The financial statements of the Authority include all funds that are controlled by the Board. The Board has the authority to exercise all powers and limitations set forth in SDCL 1-16J. The Authority does not have to prepare a budget that is subject to approval by the State of South Dakota, and the Authority can issue debt without the permission of the State of South Dakota.

**B. Government-wide and Fund Financial Statements**

*Government-wide Financial Statements:* The Statement of Net Position and the Statement of Activities display various information about the Authority. These statements include the financial activities of the overall organization. Governmental activities are generally financed through grants, debt proceeds, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

*Fund Financial Statements:* The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is in the primary operating funds of the Authority or it meets the following criteria:

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

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The funds of the Authority and their respective fund types are described below:

Governmental Fund:

*General Fund* - The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. This is the only governmental fund of the Authority. This is a major fund.

Proprietary Fund:

*Waste Water Treatment Plant Fund* - Financed primarily by user charges. This fund accounts for the operation of the sanitary sewer system and related facilities. This is the only proprietary fund of the Authority. This is a major fund.

The Authority does not have fiduciary funds.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded in the financial statements. Basis of accounting refers to “when” revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (“availability period”). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due. Proprietary funds apply the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**D. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Cash and Cash Equivalents

The Authority pools its cash resources for deposit purposes. The proprietary fund essentially has access to its cash resources on demand. Accordingly, all reported deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Accounts Receivable

All receivables are reported at the amount management expects to collect from outstanding balances.

G. Notes Receivable

Notes receivable are comprised of mortgage loans collateralized by the underlying real property pledged by the borrowers in accordance with the terms of the mortgage loans. The mortgage loans are carried at cost, which includes unpaid principal balances and an allowance for loan losses.

The Authority maintains an allowance for loan losses based on management's estimate of credit losses inherent in the Authority's loans receivable. The estimation of the allowance is based on a variety of factors including current economic conditions, delinquency trends, and the physical inspections of properties. As of June 30, 2020, an allowance of \$25,000 was recorded related to management's assessment of loan collectability.

H. Capital Credits

The Authority earns capital credits from a rural utility cooperative. The cooperative calculates the amount of capital credits earned by the Authority based on utility usage. Annually, the cooperatives determine an amount of capital credits to be distributed to the Authority from the Authority's accumulation of capital credits from past years. The timeline of the distribution of capital credits is unknown. The Authority records the accumulation of capital credits at cost as reported by the cooperative.

I. Assets Held for Development

Assets held for development are recorded at cost, which includes the initial purchase of the property and any improvements to the property. Donated development assets are valued at their estimated fair value on the date donated. Assets are categorized as held for development if the Authority does not intend to maintain the assets in the long-term, and the assets are not used in the fulfillment of the Authority's mission. All assets that are classified as held for development are intended to be sold for future development. Losses on assets held for development are recognized when it is determined that impairment has incurred.

J. Capital Assets

Capital assets include land and easements, equipment, building, and building improvements, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Interest costs incurred during the construction of capital assets are not capitalized.

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

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the government-wide statements, capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset acquisitions in excess of \$1,000 and having a useful life of more than one year are capitalized at cost and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are reviewed at least annually for impairment and reduced by an impairment loss when the market value, based on appraisals obtained, is less than the carrying value.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and the proprietary fund's Statement of Net Position.

All reported capital assets except land, easements, and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Building and Building Improvements	20-40 years
Equipment	3-15 years

Land and easements are inexhaustible assets and are not depreciated.

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

**K. Long-term Liabilities**

Long-term liabilities are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of notes and bonds payable. In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Debt obligations that are due in one year and are expected to be paid with current resources and short-term obligations that are associated with assets held for development are reported as liabilities in the fund. In the proprietary fund statements, debt is accounted for on the accrual basis, the same as in the government-wide statements.

**L. Unearned Revenue**

At June 30, 2020, unearned revenue includes funding received in advance of being earned by the Authority.

**M. Deferred Inflows of Resources**

Deferred inflows of resources are those items where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. At June 30, 2020, deferred inflows of resources represent contributed development assets that are not expected to be sold soon enough to pay liabilities of the current period.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. Program Revenues

Program revenues derive directly from the program itself. Program revenues are classified as follows:

- a. *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.
- b. *Operating Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are to be used for operations of the Authority.
- c. *Capital Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in the operations of the Authority.

O. Proprietary Fund Revenue and Expense Classifications

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

P. Net Position, Fund Balance, and Use of Restricted Resources

*Net Position - Governmental and Business-type Activities and Proprietary Fund*

Net Position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net Position represents all other net position not meeting the previously described definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net positions are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

*Fund Balance*

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, net of related liabilities.

*Restricted* - Constraints are placed on the use of resources either imposed (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by resolutions of the Board of Directors.

*Assigned* - Amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* - Represents general fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned amounts are available for use, it is the Authority's policy to use committed resources first, followed by assigned and then unassigned resources, as they are needed.

**NOTE 2 - CASH AND INVESTMENTS**

Statutes impose various restrictions on deposits and investments. The Authority maintains all funds in checking and savings accounts at June 30, 2020 and has no investments. Those restrictions are summarized below:

Deposits - The Authority's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of eligible pledging 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.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Authority's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities. The Authority's accounts are held in one bank and insured by the FDIC up to \$250,000. All cash balances were insured by the FDIC as of June 30, 2020.

Concentration of Credit Risk - The Authority places no limit on the amount that may be deposited with any one financial institution or the amount that may be invested in any one issuer.

Interest Rate Risk - The Authority 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.

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

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020 in the governmental fund and governmental activities generally consist of amounts due from unrelated parties for leasing various parcels of land of the Authority. As of June 30, 2020, the Authority was owed \$13,375 from various tenants.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 3 - ACCOUNTS RECEIVABLE (CONTINUED)**

For the proprietary fund and business-type activities, accounts receivable at June 30, 2020 consist of usage charges and reimbursement for operations due from the United States Air Force and the City of Box Elder for the waste water treatment plant. The United States Air Force and the City of Box Elder also are charged monthly for debt obligations related to the financing of the waste water treatment plant, which is included in charges for services.

Accounts receivable at June 30, 2020 are considered fully collectible, as such, no allowance has been recorded.

**NOTE 4 - ASSETS HELD FOR DEVELOPMENT**

Assets held for development include several parcels of land that were donated to the Authority by the United States Air Force. The value of these properties was determined based on recent land sales in the area at a per acre value. The total value of land held by the Authority at June 30, 2020 was \$3,306,729. Revenue has not been recognized in the fund financial statements related to these donations, as the sales of the properties are not expected to be completed in time to provide current financial resources to the Authority. Since the resources are not available, the donations have been included in deferred inflows of resources in the fund financial statements.

Assets held for development also included an acreage (Freedom Estates) that has been subdivided for housing and commercial development. Freedom Estates also includes land valued at \$547,985 which will be sold as part of future residential and commercial development of the property.

Net assets held for development are not available and are shown as a component of nonspendable fund balance within the General Fund.

**NOTE 5 - NOTES RECEIVABLE**

Notes receivable consist of second mortgages on three low-income homes that were constructed and sold in the Freedom Estates Development (see Note 4). These homes were restricted by funding sources for sale to low-income individuals. Not all of the purchasers qualified for financing for the entire \$125,000 purchase price of each home so the Authority obtained a second mortgage on each property in the amount of \$25,000. The notes are not expected to be repaid until the properties are sold or refinanced by the original purchasers. The mortgages are at zero percent interest and have no set payment terms. Payment is triggered upon (1) the sale, foreclosure, abandonment, or transfer of the property, (2) relinquishment, assignment or rental to any other person or entity, or (3) the borrower's death.

At June 30, 2020, notes receivable outstanding, less an allowance of \$25,000, totaled \$50,000 and was represented by mortgages with three borrowers. Since these long-term notes are not available, they are presented as a component of nonspendable fund balance within the General Fund.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Impairments/ Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and Easements	\$ 69	\$ 202,895	\$ (202,893)	\$ 71
Total Nondepreciable Assets	<u>69</u>	<u>202,895</u>	<u>(202,893)</u>	<u>71</u>
Capital Assets Being Depreciated:				
Equipment	<u>3,424</u>	<u>-</u>	<u>-</u>	<u>3,424</u>
Total Depreciable Capital Assets	<u>3,424</u>	<u>-</u>	<u>-</u>	<u>3,424</u>
Less Accumulated Depreciation:				
Equipment	<u>3,424</u>	<u>-</u>	<u>-</u>	<u>3,424</u>
Total Accumulated Depreciation	<u>3,424</u>	<u>-</u>	<u>-</u>	<u>3,424</u>
Depreciable Capital Assets, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 69</u>	<u>\$ 202,895</u>	<u>\$ (202,893)</u>	<u>\$ 71</u>
Business-type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 17,199,375	\$ -	\$ -	\$ 17,199,375
Improvements	<u>6,920,781</u>	<u>-</u>	<u>-</u>	<u>6,920,781</u>
Total Depreciable Capital Assets	<u>24,120,156</u>	<u>-</u>	<u>-</u>	<u>24,120,156</u>
Less Accumulated Depreciation:				
Buildings	2,808,790	573,312	-	3,382,102
Improvements	<u>1,361,122</u>	<u>276,832</u>	<u>-</u>	<u>1,637,954</u>
Total Accumulated Depreciation	<u>4,169,912</u>	<u>850,144</u>	<u>-</u>	<u>5,020,056</u>
Depreciable Capital Assets, Net	<u>19,950,244</u>	<u>(850,144)</u>	<u>-</u>	<u>19,100,100</u>
Total Capital Assets, Net	<u>\$ 19,950,244</u>	<u>\$ (850,144)</u>	<u>\$ -</u>	<u>\$ 19,100,100</u>

Depreciation in the amount of \$850,144 was charged to the waste water treatment plant proprietary fund.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

The waste water treatment plant is on land that is leased from the City of Box Elder for \$1 each year. The lease expires in 2034.

Land and easements include land or easements owned and monitored by the Authority in order for the land use to remain consistent with the needs of Ellsworth Air Force Base. The land and easements are recorded at the lower of cost or appraised value and are not depreciated. Land purchased by the Authority under the Readiness and Environmental Protection Integration Program (REPI) has easements sold to the United States Air Force at the Yellowbook appraised value of each property. The Authority is providing 25 percent matching funds for the REPI program. Properties purchased under the REPI program are deemed to have little or no value and are adjusted to \$1 at the time the easement is granted to the Air Force. Other easements purchased outside the REPI program are being used as the match for the program and have also been adjusted to \$1, as there is little to no value for the land or easement. Not all of the REPI program funds were expended by June 30, 2020 and unexpended amounts are included in unearned revenue.

**NOTE 7 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	Amounts Due Within 1 Year
Governmental Activities:					
NSP Loan	\$ 1,620,500	\$ -	\$ -	\$ 1,620,500	\$ -
Total Governmental Activities	<u>1,620,500</u>	<u>-</u>	<u>-</u>	<u>1,620,500</u>	<u>-</u>
Business-type Activities:					
Bonds:					
SRF Series 2012A: Box Elder	6,603,141	-	(339,979)	6,263,162	350,293
SRF Series 2012B: USAF	6,603,141	-	(339,979)	6,263,162	350,293
SRF Series 2013D: USAF	635,503	-	(30,274)	605,229	31,189
SRF Series 2013C: Box Elder	613,171	-	(31,002)	582,169	31,938
SRF Series 2013B: Int. USAF	4,315,885	-	(213,542)	4,102,343	220,022
SRF Series 2013A: Int. Box Elder	1,438,628	-	(71,180)	1,367,448	73,340
Total Business-type Activities	<u>20,209,469</u>	<u>-</u>	<u>(1,025,956)</u>	<u>19,183,513</u>	<u>1,057,075</u>
Total Long-term Liabilities	<u>\$ 21,829,969</u>	<u>\$ -</u>	<u>\$ (1,025,956)</u>	<u>\$ 20,804,013</u>	<u>\$ 1,057,075</u>

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

Outstanding debt obligations at June 30, 2020 are comprised of the following individual issues:

Governmental Activities:

NSP Loan, payable to SDHDA, non interest bearing, will be forgiven in 2033 if restrictive covenants related to providing low income housing on Freedom Estates homes is maintained for the 20 year duration. Secured by Freedom Estates (Note 4).

\$ 1,620,500

Total Governmental Activities

\$ 1,620,500

Business-type Activities:

SRF Series 2012A - Box Elder, bonds requiring quarterly payments of \$131,294 that began May 15, 2015 until maturity on November 15, 2034. Payments include interest at 2.5% and an administrative fee of .5%. Debt payments will be paid with pledged user fees from operating the plant.

\$ 6,263,162

SRF Series 2012B - USAF, bonds requiring quarterly payments of \$131,294 that began May 15, 2015 until maturity on November 15, 2034. Payments include interest at 2.5% and an administrative fee of .5%. Debt payments will be paid with pledged user fees from operating the plant.

6,263,162

Consolidated Water Facilities Construction Program Loan Series 2013C - Box Elder, bonds requiring semi-annual payments of \$24,583 that began November 1, 2015 until maturity on November 1, 2035. Payments include interest at 3%. Debt payments will be paid with pledged user fees from operating the plant.

582,169

Consolidated Water Facilities Construction Program Loan Series 2013D - USAF, bonds requiring semi-annual payments of \$24,557 that began November 1, 2015 until maturity on November 1, 2035. Payments include interest at 3%. Debt payments will be paid with pledged user fees from operating the plant.

605,229

SRF Series 2013B - USAF, bonds requiring quarterly payments of \$85,158 that began August 15, 2015 until maturity on May 15, 2035. Payments include interest at 2.5% and an administrative fee of .5%. Debt payments will be paid with pledged user fees from operating the plant.

4,102,343

SRF Series 2013A - Box Elder, bonds requiring quarterly payments of \$28,386 that began August 15, 2015 until maturity on May 15, 2035. Payments include interest at 2.5% and an administrative fee of .5%. Debt payments will be paid with pledged user fees from operating the plant.

1,367,448

Total Business-type Activities

\$ 19,183,513

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements to maturity for all debt outstanding are as follows:

Governmental Activities:

Year Ending June 30,	Principal	Interest	Total
2033	\$ 1,620,500	\$ -	\$ 1,620,500

Business-type Activities:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,057,075	\$ 563,924	\$ 1,620,999
2022	1,088,401	532,598	1,620,999
2023	1,121,415	499,584	1,620,999
2024	1,155,430	465,569	1,620,999
2025	1,190,477	430,522	1,620,999
2026 - 2030	6,516,477	1,588,545	8,105,022
2031 - 2035	8,650,546	2,161,111	10,811,657
2036	24,192	363	24,555
	<u>\$ 20,804,013</u>	<u>\$ 6,242,216</u>	<u>\$ 27,046,229</u>

The SRF debt agreements require the Authority to maintain a rate covenant of net revenues available for debt service of at least 110% of debt service requirements as discussed in Note 8.

**NOTE 8 - PLEDGE OF FUTURE REVENUE**

As discussed in Note 7, the Authority has pledged future user charges related to the waste water treatment plant fund. The pledged user charges provide security under various bond agreements. Proceeds from the loans provided financing for the construction of the waste water treatment plant. One hundred percent of the user charges related to the waste water treatment plant fund have been pledged through the maturity dates of each application bond as listed in Note 7. The total principal and interest remaining to be paid on the bonds, which represents the approximate amount of each pledge, along with a comparison of the pledged revenue recognized during the year to the principal and interest requirements is as follows:

Principal and Interest Remaining	\$ 27,046,229
Pledged Revenue Recognized	2,675,125
Principal and Interest Requirements	1,620,999

**NOTE 9 - WASTE WATER TREATMENT PLANT FUND CHARGES FOR SERVICES**

Customers of the waste water treatment plant fund have negotiated user rates with the Authority and are charged for usage of the treatment plant. Additionally, customers are responsible for their respective share of the operating costs of the treatment plant and up to 20% of the operating costs to cover administrative and overhead costs of the Authority. Customers are also charged for the debt and interest payments related to the treatment plant. The debt and total interest related to the waste water treatment plant is amortized over 20 years and divided into equal monthly payments. The amount of the debt payments allocated to each customer is based on the customer's predetermined usage of capital assets for which the debt was acquired.

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 10 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority joined the South Dakota Authority Captive Insurance Company, LLC (SDACIC), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota Authorities. The objective of the SDACIC is to administer and provide risk management services and risk-sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The Authority's responsibility is to promptly report to and cooperate with the SDACIC to resolve any incident which could result in a claim being made or by or against the Authority. The Authority pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDACIC member, based on their exposure or type of coverage. The Authority pays an annual premium to the pool to provide coverage for property insurance, general liability, automobile, crime, boiler and machinery, umbrella liability, and errors and omissions. The agreement with the SDACIC provides that the above coverage will be provided with up to a \$5,000,000 limit on liability coverage and directors' and officers' coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of deductibles. As of June 30, 2020, the Authority carried deductibles of \$25,000 for each coverage type.

**NOTE 11 - CONCENTRATIONS**

All charges for services reported in the waste water treatment plant fund are generated from two customers: the United States Air Force (57%) and the City of Box Elder (43%). Accounts receivable for the waste water treatment plant fund were also comprised of balances from the United States Air Force (57%) and the City of Box Elder (43%). Operations of the waste water treatment plant fund would be significantly impacted if either customer were to cease to exist or if receivables became uncollectible.

**NOTE 12 - BUDGETARY INFORMATION**

There is no legal requirement for a General Fund budget.

**NOTE 13 - CONTRACTS**

The Authority has a contract with an unrelated third party to operate and maintain the waste water treatment plant. The contract may be terminated at any time with 90 days written notice. The Authority pays the contractor each month a firm fixed price plus reimbursable expenses through June 30, 2024. Amounts paid under the contract for the year ended June 30, 2020 were \$538,581. Expected future payments under the firm fixed price contract are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 549,353
2022	560,340
2023	571,547
2024	582,978

**South Dakota Ellsworth Development Authority**  
**Notes to Financial Statements**  
**June 30, 2020**

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**NOTE 14 - LEASES**

The Authority leases office space in Rapid City with a noncancelable operating lease that terminates on July 31, 2022. The lease agreement required monthly payments of \$583 through July 2019 and \$1,400 thereafter. Annual rent expense for the year ended June 30, 2019 was \$15,983. Future minimum rents are as follows for the years ended June 30:

Year	Rent Payments
2021	\$ 16,800
2022	1,400

The Authority rents owned properties to other parties under various operating lease agreements. Annual lease revenues were \$47,501 for the year ended June 30, 2020. Lease revenues are expected to be \$900 each year until June 30, 2026. Revenues from tenants in properties purchased under the REPI program are recorded when amounts are collected from tenants.

**NOTE 15 - TRANSACTIONS WITH STATE OF SOUTH DAKOTA AND OTHER COMPONENT UNITS**

During the year ended June 30, 2020, the Authority received \$300,000 from the South Dakota Governor's Office of Economic Development (GOED) for the general operating support of the Authority. At June 30, 2020, all funds from the State of South Dakota had been recognized as revenue.

The Authority's debt obligations are also held by the South Dakota Housing and Development Authority and the Department of Environment and Natural Resources. The terms of these debt agreements are detailed in Note 7.

**NOTE 16 - SUBSEQUENT EVENTS**

During the year ended June 30, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from state and local authorities requiring forced closure of schools, businesses, and other facilities and organizations. The extent of the impact of COVID-19 on the Authority's operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, and impact on the Authority's customers and vendors all of which are uncertain and cannot be predicted. The financial impact cannot be estimated at this time.

Management has evaluated subsequent events through the date these financial statements were available to be issued.

**South Dakota Ellsworth Development Authority  
Schedule of Operations Expenses  
For the Year Ended June 30, 2020**

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	General Fund	Adjustments	Statement of Activities
Operations Expenses:			
Contracted Services	\$ 444,875	\$ -	\$ 444,875
Professional Fees	245,010	-	245,010
Land Operations Costs	439,859	(2)	439,857
Office Expenses	34,749	-	34,749
Travel	12,522	-	12,522
Other	2,780	-	2,780
	\$ 1,179,795	\$ (2)	\$ 1,179,793

See independent auditor's report.