

South Dakota Ellsworth Development Authority

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

**For the Year Ended
June 30, 2021**

South Dakota Ellsworth Development Authority
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June 30, 2021

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

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, 2021, 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 5, 2021.

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.

A handwritten signature in black ink that reads "CLO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Mitchell, South Dakota
October 5, 2021



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SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

There were no findings reported for the year ended June 30, 2021.



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SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings reported for the year ended June 30, 2020.



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, 2021, 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, 2021, 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 8 through 15, 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 relate 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 5, 2021, 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.

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

Mitchell, South Dakota
October 5, 2021

South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2021

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, 2021. 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 \$728,236. During the year, current and other assets increased by \$11,277,494. This is due to the timing of the refinance of outstanding bond obligations. Obligations to be refinanced were not callable until subsequent to year-end, resulting in excess cash and debt being reported at year-end.
- During the year, the Authority's revenues increased by \$637,000, primarily due to the purchase of several properties through the REPI Program and grant funding for the construction of Liberty Center.
- During the year, the Authority's expenses increased by approximately \$160,000, related to the costs of the waste water treatment plant debt refinance.
- The General Fund balance increased by \$2 million due to the sale of property previously held for development.
- The Waste Water Treatment Fund experienced an increase in net position of \$119,598.
- The Authority also started the Liberty Center project which will be funded primarily with state and federal appropriations and grants and the proceeds from the sale of property.

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 funds statements tell how general governmental services are financed in the short-term as well as what remains for future spending.
 - Proprietary funds statements offer short and long-term financial information about the activities that the Authority operates like businesses. The authority operates the Waste Water Treatment Fund as a proprietary fund. During the year ended June 30, 2021, the Authority started the Liberty Center project which is in the construction phase and will be operated as a propriety 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, 2021**

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.

Figure A-1			
	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 and the Liberty Center
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, 2021

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 Air Force 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. The Authority is also constructing the Liberty Center which will be a community center and athletic facility for the Ellsworth Air Force Base and Box Elder communities.

South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2021

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 can be readily 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.

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 Authority reports the Waste Water Treatment Plant and the Liberty Center funds as enterprise funds.

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 years' debt obligations are not recorded.

**South Dakota Ellsworth Development Authority
Management's Discussion and Analysis
June 30, 2021**

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
	2020	2021	2020	2021	2020	2021	2020 - 2021
Current and Other Assets	\$ 8,278,292	\$ 6,113,683	\$ 1,138,832	\$ 14,580,935	\$ 9,417,124	\$ 20,694,618	119.76%
Capital Assets (Net of Depreciation)	71	1,338	19,100,100	19,975,426	19,100,171	19,976,764	4.59%
Total Assets	<u>8,278,363</u>	<u>6,115,021</u>	<u>20,238,932</u>	<u>34,556,361</u>	<u>28,517,295</u>	<u>40,671,382</u>	42.62%
Long-term Liabilities Outstanding	1,620,500	1,620,500	19,183,513	31,170,748	20,804,013	32,791,248	57.62%
Other Liabilities	<u>3,272,410</u>	<u>2,225,908</u>	<u>144,872</u>	<u>629,990</u>	<u>3,417,282</u>	<u>2,855,898</u>	-16.43%
Total Liabilities	<u>4,892,910</u>	<u>3,846,408</u>	<u>19,328,385</u>	<u>31,800,738</u>	<u>24,221,295</u>	<u>35,647,146</u>	47.17%
Net Investment in Capital Assets	71	1,338	521,816	84,371	521,887	85,709	-83.58%
Unrestricted	<u>3,385,382</u>	<u>2,267,275</u>	<u>388,731</u>	<u>2,671,252</u>	<u>3,774,113</u>	<u>4,938,527</u>	30.85%
Total Net Position	<u>\$ 3,385,453</u>	<u>\$ 2,268,613</u>	<u>\$ 910,547</u>	<u>\$ 2,755,623</u>	<u>\$ 4,296,000</u>	<u>\$ 5,024,236</u>	16.95%

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, 2021**

Changes in Net Position

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020 - 2021
Revenues							
Program Revenues							
Charges for Services	\$ 47,501	\$ 47,878	\$ 2,675,125	\$ 2,721,137	\$ 2,722,626	\$ 2,769,015	1.70%
Operating Grants and Contributions	302,500	200,285	-	-	302,500	200,285	-33.79%
Capital Grants and Contributions	-	1,036,501	-	1,294,341	-	2,330,842	100.00%
General Revenues							
Gain (Loss) on Sales of Properties	745,227	(891,774)	-	-	745,227	(891,774)	-219.66%
Unrestricted Earnings	4,902	4,366	7,111	6,537	12,013	10,903	-9.24%
Total Revenues	<u>1,100,130</u>	<u>397,256</u>	<u>2,682,236</u>	<u>4,022,015</u>	<u>3,782,366</u>	<u>4,419,271</u>	16.84%
Expenses							
Compatible Use and Development	1,179,793	1,068,318	-	-	1,179,793	1,068,318	-9.45%
Liberty Center	-	-	-	14,641	-	14,641	100.00%
Waste Water Treatment	-	-	2,350,224	2,608,076	2,350,224	2,608,076	10.97%
Total Expenses	<u>1,179,793</u>	<u>1,068,318</u>	<u>2,350,224</u>	<u>2,622,717</u>	<u>3,530,017</u>	<u>3,691,035</u>	4.56%
Excess (Deficiency) Before Special							
Items and Transfers	(79,663)	(671,062)	332,012	1,399,298	252,349	728,236	188.58%
Transfers In (Out)	-	(445,778)	-	445,778	-	-	0.00%
Change in Net Position	<u>\$ (79,663)</u>	<u>\$ (1,116,840)</u>	<u>\$ 332,012</u>	<u>\$ 1,845,076</u>	<u>\$ 252,349</u>	<u>\$ 728,236</u>	188.58%

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 \$3,887,775, which is an increase of \$2,188,622 compared to the prior year.

**South Dakota Ellsworth Development Authority
Management's Discussion and Analysis
June 30, 2021**

CAPITAL ASSET ADMINISTRATION

The Authority has invested \$19,976,764 in capital assets, net of accumulated depreciation as of June 30, 2021. The major capital assets of the Authority consist of the Waste Water Treatment Plant and related infrastructure and the construction in progress of the Liberty Center.

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

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020 - 2021	2020 - 2021
Land Easements	\$ 71	\$ 73	\$ -	\$ -	\$ 2	2.82%
Equipment	-	1,265	-	-	1,265	100.00%
Buildings	-	-	13,817,273	13,243,961	(573,312)	-4.15%
Improvements	-	-	5,282,827	5,005,987	(276,840)	-5.24%
Construction in Progress	-	-	-	1,725,478	1,725,478	100.00%
Total Capital Assets (Net)	\$ 71	\$ 1,338	\$ 19,100,100	\$ 19,975,426	\$ 876,593	4.59%

LONG-TERM DEBT

As of June 30, 2021, the Authority had \$32,791,248 in 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
	2020	2021	2020	2021	2020 - 2021	2020 - 2021
NSP Loan	\$ 1,620,500	\$ 1,620,500	\$ -	\$ -	\$ -	0.00%
Bonds	-	-	19,183,513	31,170,748	11,987,235	62.49%
Total Outstanding Debt and Obligations	\$ 1,620,500	\$ 1,620,500	\$ 19,183,513	\$ 31,170,748	\$ 11,987,235	62.49%

The Authority retired bonds of \$6,161,914 related to the Waste Water Treatment Plan and infrastructure. The Authority also issued refinancing bonds during the year ended June 30, 2021. Some of the prior bonds were not callable until August of 2021 resulting in the reporting of both old and new bond obligations as of June 30, 2021.

South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2021

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 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. The Authority is constructing the Liberty Center, a community center and athletic facility to be used by the Ellsworth Air Force Base and Box Elder residents.

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, 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, or Glen Kane, Managing Director; at South Dakota Ellsworth Development Authority, PO Box 477, Rapid City, SD 57709.

BASIC FINANCIAL STATEMENTS

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South Dakota Ellsworth Development Authority
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash	\$ 3,185,378	\$ 13,231,492	\$ 16,416,870
Accounts Receivable	1,250	1,626,972	1,628,222
Due to (from) Other Funds	329,070	(329,070)	-
Long-term Notes Receivable, Net	50,000	-	50,000
Land Transfer Receivable	2,000,000	-	2,000,000
Capital Credits	-	51,541	51,541
Assets Held for Development, Net	547,985	-	547,985
Land and Easements	73	-	73
Buildings	-	17,199,375	17,199,375
Improvements	-	6,920,781	6,920,781
Equipment	5,110	-	5,110
Construction in Progress	-	1,725,478	1,725,478
Accumulated Depreciation	(3,845)	(5,870,208)	(5,874,053)
TOTAL ASSETS	<u>6,115,021</u>	<u>34,556,361</u>	<u>40,671,382</u>
LIABILITIES			
Accounts Payable	2,603	534,152	536,755
Accrued Interest	-	95,838	95,838
Unearned Revenue	2,223,305	-	2,223,305
Long-term Debt:			
Due in One Year	-	14,181,369	14,181,369
Due in More than One Year	1,620,500	16,989,379	18,609,879
TOTAL LIABILITIES	<u>3,846,408</u>	<u>31,800,738</u>	<u>35,647,146</u>
NET POSITION			
Net Investment in Capital Assets	1,338	84,371	85,709
Unrestricted	2,267,275	2,671,252	4,938,527
TOTAL NET POSITION	<u>\$ 2,268,613</u>	<u>\$ 2,755,623</u>	<u>\$ 5,024,236</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, 2021

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Compatible Use and Development	\$ 1,068,318	\$ 47,878
Total Governmental Activities	<u>1,068,318</u>	<u>47,878</u>
BUSINESS-TYPE ACTIVITIES		
Liberty Center	14,641	-
Waste Water Treatment	2,608,076	2,721,137
Total Business-type Activities	<u>2,622,717</u>	<u>2,721,137</u>
Total Primary Government	<u>\$ 3,691,035</u>	<u>\$ 2,769,015</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
\$ 200,285	\$ 1,036,501	\$ 216,346	\$ -	\$ 216,346
<u>200,285</u>	<u>1,036,501</u>	<u>216,346</u>	<u>-</u>	<u>216,346</u>
-	1,294,341	-	1,279,700	1,279,700
-	-	-	113,061	113,061
<u>-</u>	<u>1,294,341</u>	<u>-</u>	<u>1,392,761</u>	<u>1,392,761</u>
<u>\$ 200,285</u>	<u>\$ 2,330,842</u>	<u>216,346</u>	<u>1,392,761</u>	<u>1,609,107</u>
GENERAL REVENUES				
Unrestricted Investment Earnings		4,366	6,537	10,903
Loss on Sales of Properties		(891,774)	-	(891,774)
Transfers In (Out)		(445,778)	445,778	-
Total General Revenues		<u>(1,333,186)</u>	<u>452,315</u>	<u>(880,871)</u>
CHANGE IN NET POSITION		(1,116,840)	1,845,076	728,236
NET POSITION - BEGINNING		<u>3,385,453</u>	<u>910,547</u>	<u>4,296,000</u>
NET POSITION - ENDING		<u>\$ 2,268,613</u>	<u>\$ 2,755,623</u>	<u>\$ 5,024,236</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Balance Sheet - General Fund
June 30, 2021

	General Fund
ASSETS	
Cash	\$ 3,185,378
Accounts Receivable	1,250
Due from Other Funds	329,070
Land Transfer Receivable	2,000,000
Long-term Notes Receivable, Net of Allowance	50,000
Assets Held for Development, Net	547,985
TOTAL ASSETS	\$ 6,113,683
LIABILITIES	
Accrued Expenses	\$ 2,603
Unearned Revenue	2,223,305
TOTAL LIABILITIES	2,225,908
FUND BALANCE	
Nonspendable:	
Noncurrent Notes Receivable	50,000
Assets Held for Development, Net of Deferred Inflows of Resources	547,985
Land Transfer Receivable	2,000,000
Unassigned	1,289,790
TOTAL FUND BALANCE	3,887,775
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,113,683

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, 2021**

Total Governmental Fund Balance	\$ 3,887,775
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.	1,338
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>\$ 2,268,613</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, 2021**

	<u>General Fund</u>
REVENUES	
Federal Revenue:	
Capital Grants	\$ 1,036,501
Local Revenue:	
Operating Contributions from Private Parties	200,285
Rentals	47,878
Earnings on Deposits	<u>4,366</u>
Total Revenues	<u>1,289,030</u>
EXPENDITURES	
Compatible Use and Economic Development	828,334
Capital Outlays	<u>241,251</u>
Total Expenditures	<u>1,069,585</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>219,445</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out	(445,778)
Proceeds from the Sale of Property	<u>2,414,955</u>
Total Other Financing Sources (Uses)	<u>1,969,177</u>
CHANGE IN FUND BALANCES	2,188,622
FUND BALANCES - BEGINNING	<u>1,699,153</u>
FUND BALANCES - ENDING	<u>\$ 3,887,775</u>

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, 2021**

Total Governmental Fund Net Change in Fund Balances	\$	2,188,622
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>In the Statement of Activities, donated land for development is reported as a revenue at the time of donation, but revenues are not reflected in the governmental funds until the donated land is sold. This is the amount of the loss on the sale of donated land that is not recognized in the fund financial statements.</p>		(1,306,729)
<p>In the Statement of Activities, donated land for development is reported as a revenue at the time of donation, but revenues are not reflected in the governmental funds until the donated land is sold. This is the amount of proceeds from the sale of land as reported in the fund financial statements.</p>		(2,000,000)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.</p>		240,830
<p>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.</p>		<u>(239,563)</u>
Change in Net Position of Governmental Activities	\$	<u>(1,116,840)</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Net Position - Proprietary Funds
June 30, 2021

	Waste Water Treatment Plant	Liberty Center	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash	\$ 13,231,492	\$ -	\$ 13,231,492
Accounts Receivable	<u>859,820</u>	<u>767,152</u>	<u>1,626,972</u>
Total Current Assets	<u>14,091,312</u>	<u>767,152</u>	<u>14,858,464</u>
Capital Assets:			
Buildings	17,199,375	-	17,199,375
Improvements	6,920,781	-	6,920,781
Construction in Progress	-	1,725,478	1,725,478
Accumulated Depreciation	<u>(5,870,208)</u>	<u>-</u>	<u>(5,870,208)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>18,249,948</u>	<u>1,725,478</u>	<u>19,975,426</u>
Noncurrent Assets:			
Capital Credits	<u>51,541</u>	<u>-</u>	<u>51,541</u>
TOTAL ASSETS	<u>32,392,801</u>	<u>2,492,630</u>	<u>34,885,431</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	96,070	438,082	534,152
Due to Other Funds	-	329,070	329,070
Accrued Interest	95,838	-	95,838
Current Maturities of Long-term Debt	<u>14,181,369</u>	<u>-</u>	<u>14,181,369</u>
Total Current Liabilities	14,373,277	767,152	15,140,429
Long-term Liabilities	<u>16,989,379</u>	<u>-</u>	<u>16,989,379</u>
TOTAL LIABILITIES	<u>31,362,656</u>	<u>767,152</u>	<u>32,129,808</u>
NET POSITION			
Net Investment in Capital Assets	84,371	-	84,371
Unrestricted	<u>945,774</u>	<u>1,725,478</u>	<u>2,671,252</u>
TOTAL NET POSITION	<u>\$ 1,030,145</u>	<u>\$ 1,725,478</u>	<u>\$ 2,755,623</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 Funds
For the Year Ended June 30, 2021

	Waste Water Treatment Plant	Liberty Center	Total Proprietary Funds
OPERATING REVENUES			
Revenues Pledged to Service Long-term Debt:			
Charges for Services	\$ 2,721,137	\$ -	\$ 2,721,137
OPERATING EXPENSES			
Contracted Services	549,353	-	549,353
Other Operating Expenses	410,404	14,641	425,045
Depreciation	850,152	-	850,152
Total Operating Expenses	1,809,909	14,641	1,824,550
Operating Income	911,228	(14,641)	896,587
NONOPERATING REVENUES (EXPENSES)			
Capital Grants	-	1,294,341	1,294,341
Debt Issuance Costs	(135,000)	-	(135,000)
Interest Expense	(663,167)	-	(663,167)
Interest Income	6,537	-	6,537
Total Nonoperating Revenues (Expenses)	(791,630)	1,294,341	502,711
INCOME BEFORE TRANSFERS	119,598	1,279,700	1,399,298
Transfer In	-	445,778	445,778
CHANGE IN NET POSITION	119,598	1,725,478	1,845,076
NET POSITION - BEGINNING	910,547	-	910,547
NET POSITION - ENDING	\$ 1,030,145	\$ 1,725,478	\$ 2,755,623

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2021

	Waste Water Treatment Plant	Liberty Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 2,314,169	\$ -	\$ 2,314,169
Cash Payments to Vendors for Goods and Services	(946,384)	(14,641)	(961,025)
Net Cash Provided (Used) by Operating Activities	<u>1,367,785</u>	<u>(14,641)</u>	<u>1,353,144</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest Reciepts	283	-	283
Due to Other Funds	-	329,070	329,070
Transfers from Other Funds	-	445,778	445,778
Net Cash Provided by Noncapital Financing Activities	<u>283</u>	<u>774,848</u>	<u>775,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants	-	527,189	527,189
Purchase of Capital Assets	-	(1,287,396)	(1,287,396)
Interest Paid on Capital Debt	(629,504)	-	(629,504)
Payments of Debt Issuance Costs	(135,000)	-	(135,000)
Proceeds from Issuance of Debt	18,149,149	-	18,149,149
Principal Paid on Capital Debt	(6,161,914)	-	(6,161,914)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>11,222,731</u>	<u>(760,207)</u>	<u>10,462,524</u>
CHANGE IN CASH AND CASH EQUIVALENTS	12,590,799	-	12,590,799
CASH AND CASH EQUIVALENTS - BEGINNING	<u>640,693</u>	<u>-</u>	<u>640,693</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 13,231,492</u>	<u>\$ -</u>	<u>\$ 13,231,492</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 911,228	\$ (14,641)	\$ 896,587
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	850,152	-	850,152
Change in Assets and Liabilities:			
Accounts Receivable	(406,968)	-	(406,968)
Accounts Payable	13,373	-	13,373
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,367,785</u>	<u>\$ (14,641)</u>	<u>\$ 1,353,144</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Construction in Progress included in Accounts Payable	<u>\$ -</u>	<u>\$ 438,082</u>	<u>\$ 438,082</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

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 to protect and promote 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 the Financial Statements
June 30, 2021

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 Funds:

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 a major fund.

Liberty Center Fund - Financed primarily by user charges. This fund will account for the operation of the Liberty Center, an athletic and community center serving the Ellsworth and Box Elder residents. The Liberty Center is currently under construction which is being financed with state and federal appropriations and grants and the sale of property. 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 the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

The Authority pools its cash resources for deposit purposes. The proprietary funds have access to their 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, 2021, 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 occurred.

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 the Financial Statements
June 30, 2021

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 Statement of Net Position - Proprietary Funds.

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, 2021, 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, 2021, there were no deferred inflows of resources reported.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

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 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds, 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 Funds

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 the Financial Statements
June 30, 2021

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, 2021 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, 2021, 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, 2021.

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 in the governmental fund and governmental activities at June 30, 2021 generally consist of amounts due from unrelated parties for leasing various parcels of land of the Authority. As of June 30, 2021, the Authority was owed \$1,250 from various tenants.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 3 - ACCOUNTS RECEIVABLE (CONTINUED)

For the proprietary fund and business-type activities, accounts receivable at June 30, 2021 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. Receivables for the Liberty Center consist of construction costs to be reimbursed by the State of South Dakota.

Accounts receivable at June 30, 2021 are considered fully collectible, as such, no allowance has been recorded.

NOTE 4 - ASSETS HELD FOR DEVELOPMENT

Assets held for development include 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 - LAND TRANSFER RECEIVABLE

During the year ended June 30, 2021, the Authority sold land that was previously held for development. This land was previously valued at \$3,306,729 and had been previously reported in the general fund as a deferred inflow of resources. The property was sold to a developer for \$2 million for the purpose of constructing the Liberty Center and housing and commercial development in the area. The property was transferred to the developer upon the approval of tax increment financing by the County. The developer is expected to pay the \$2 million purchase price to the Authority after construction funds from the state and federal government are depleted. Construction of the project is expected to be completed in the year ended June 30, 2023. The tax increment financing serves as security for the debt of the developer, with his bank. Management believes the amount is fully collectible. As the amount owed by the developer is expected to be paid at a future date, the full amount is presented as nonspendable fund balance within the General Fund.

NOTE 6 - 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, 2021, 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 the Financial Statements
June 30, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Impairments/ Deletions	Balance June 30, 2021
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and Easements	\$ 71	\$ 239,565	\$ (239,563)	\$ 73
Total Nondepreciable Assets	71	239,565	(239,563)	73
Capital Assets Being Depreciated:				
Equipment	3,424	1,686	-	5,110
Total Depreciable Capital Assets	3,424	1,686	-	5,110
Less Accumulated Depreciation:				
Equipment	3,424	421	-	3,845
Total Accumulated Depreciation	3,424	421	-	3,845
Depreciable Capital Assets, Net	-	1,265	-	1,265
Total Capital Assets, Net	<u>\$ 71</u>	<u>\$ 240,830</u>	<u>\$ (239,563)</u>	<u>\$ 1,338</u>
Business-type Activities:				
Nondepreciable Capital Assets:				
Construction in Progress	\$ -	\$ 1,725,478	\$ -	\$ 1,725,478
Capital Assets Being Depreciated:				
Buildings	\$ 17,199,375	\$ -	\$ -	\$ 17,199,375
Improvements	6,920,781	-	-	6,920,781
Total Depreciable Capital Assets	24,120,156	-	-	24,120,156
Less Accumulated Depreciation:				
Buildings	3,382,102	573,312	-	3,955,414
Improvements	1,637,954	276,840	-	1,914,794
Total Accumulated Depreciation	5,020,056	850,152	-	5,870,208
Depreciable Capital Assets, Net	19,100,100	(850,152)	-	18,249,948
Total Capital Assets, Net	<u>\$ 19,100,100</u>	<u>\$ 875,326</u>	<u>\$ -</u>	<u>\$ 19,975,426</u>

Depreciation in the amount of \$850,152 was charged to the Waste Water Treatment Plant Fund and depreciation of \$421 was charged to the compatible use function of the governmental activities.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 7 - 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, 2021, and unexpended amounts are included in unearned revenue.

Construction in progress includes amounts incurred for the construction of the Liberty Center. The total estimated cost of the Liberty Center project is expected to be \$12.6 million. The project is being funded with an appropriation from the State of South Dakota for \$3.2 million, a federal grant in the amount of \$6.3 million, \$2 million in land sales, and reserves of the Authority. Construction is expected to be completed in July of 2022.

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	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:					
Refunding Bond 2012A: Box Elder		5,860,803		5,860,803	341,672
Refunding Bond 2012B: USAF		5,860,803		5,860,803	341,672
Refunding Bond 2013A: Box Elder		1,283,565		1,283,565	71,404
Refunding Bond 2013B: USAF		3,968,761	(57,372)	3,911,389	238,312
Refunding Bond 2013C: Box Elder		575,699	(20,547)	555,152	34,605
Refunding Bond 2013D: USAF		599,518	(20,328)	579,190	33,858
SRF Series 2012A: Box Elder	6,263,162	-	(350,293)	5,912,869	5,912,869
SRF Series 2012B: USAF	6,263,162	-	(350,293)	5,912,869	5,912,869
SRF Series 2013D: USAF	605,229	-	(605,229)	-	-
SRF Series 2013C: Box Elder	582,169	-	(582,169)	-	-
SRF Series 2013B: Int. USAF	4,102,343	-	(4,102,343)	-	-
SRF Series 2013A: Int. Box Elder	1,367,448	-	(73,340)	1,294,108	1,294,108
Total Business-type Activities	<u>19,183,513</u>	<u>18,149,149</u>	<u>(6,161,914)</u>	<u>31,170,748</u>	<u>14,181,369</u>
Total Long-term Liabilities	<u>\$ 20,804,013</u>	<u>\$ 18,149,149</u>	<u>\$ (6,161,914)</u>	<u>\$ 32,791,248</u>	<u>\$ 14,181,369</u>

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Outstanding debt obligations at June 30, 2021 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 waste water treatment plant. This was repaid in August 2021.

\$ 5,912,869

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. This was repaid in August 2021.

5,912,869

Taxable Refunding Bonds, requiring semi-annual payments of \$780,664 that began in May 2021 until maturity in November 2035. Payments include interest at 2.39%. Debt payments will be paid with pledged user fees from operating the waste water treatment plant.

18,050,902

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. This was repaid in August 2021.

1,294,108

Total Business-type Activities

\$ 31,170,748

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 8 - 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
2022	\$ 14,181,369	\$ 508,645	\$ 14,690,014
2023	1,162,186	399,143	1,561,329
2024	1,190,128	371,201	1,561,329
2025	1,218,742	342,587	1,561,329
2026	1,248,044	313,285	1,561,329
2027 - 2031	6,705,007	1,101,637	7,806,644
2032 - 2036	<u>5,465,272</u>	<u>277,596</u>	<u>5,742,868</u>
	<u>\$ 31,170,748</u>	<u>\$ 3,314,094</u>	<u>\$ 34,484,842</u>

The bond 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 9.

During the year ended June 30, 2021, the Authority issued \$18,149,138 in taxable water and sewer refunding bonds with an interest rate of 2.39% to advance refund \$18,214,315 of outstanding 2012A, 2012B, 2013A, 2013B, 2013C, and 2013D series bonds with interest rates of 2.5%. The net proceeds of \$18,002,804 (after payment of \$135,000 of issuance costs) were used to pay off \$5,094,370 of bonds. The remaining money has been deposited into an account and has been held to pay off the remaining bonds of \$13,119,846. This repayment occurred on August 1, 2021 (see Note 18).

The Authority advance refunded the 2012 and 2013 series bonds to reduce its total debt service payments over the life of the total bonds by \$831,964 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$743,264.

NOTE 9 - PLEDGE OF FUTURE REVENUE

As discussed in Note 8, 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 8. 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	\$ 18,050,902
Pledged Revenue Recognized	2,721,137
Principal and Interest Requirements	1,561,329

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 10 - INTER FUND BALANCES

During the year ended June 30, 2021, the General Fund transferred \$445,778 to the Liberty Center Fund for the payment of design, engineering, and preliminary construction costs not eligible for reimbursement from other funding sources.

At June 30, 2021, the Liberty Center Fund owed \$329,070 to the General Fund. This amount is reported as a due to (from) in the fund and government-wide financial statements and is related to the payment of construction costs by the Authority prior to obtaining reimbursement from other funding sources. This amount is expected to be repaid upon receipt of reimbursement requests submitted.

NOTE 11 - 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.

NOTE 12 - 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 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, 2021, the Authority carried deductibles of \$25,000 for each coverage type.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 13 - CONCENTRATIONS

All charges for services reported in the waste water treatment plant fund are generated from two customers: the United States Air Force (59%) and the City of Box Elder (41%). Accounts receivable for the waste water treatment plant fund were also comprised of balances from the United States Air Force (78%) and the City of Box Elder (22%). 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 14 - BUDGETARY INFORMATION

There is no legal requirement for a General Fund budget.

NOTE 15 - 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 \$549,353. Expected future payments under the firm fixed price contract are as follows:

Year	Amount
2022	\$ 560,340
2023	571,547
2024	582,978

NOTE 16 - LEASES

The Authority leases office space in Rapid City with a noncancelable operating lease that terminates on August 31, 2021. The lease agreement required monthly payments of \$1,400. Annual rent expense for the year ended June 30, 2021 was \$16,800. Future minimum rents are as follows for the years ended June 30:

Year	Rent Payments
2022	\$ 2,800

The Authority rents owned properties to other parties under various operating lease agreements. Annual lease revenues were \$47,878 for the year ended June 30, 2021. 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 17 - TRANSACTIONS WITH STATE OF SOUTH DAKOTA AND OTHER COMPONENT UNITS

During the year ended June 30, 2021, the Authority received an appropriation of \$3,200,000 from the South Dakota Governor's Office of Economic Development (GOED) through House Bill 1166 for the construction of the Liberty Center. At June 30, 2021, \$1,294,341 had been recognized as revenue and of that balance, \$767,152 were included in accounts receivable.

A portion of the Authority's debt obligations is also held by the South Dakota Housing and Development Authority and the Department of Agriculture and Natural Resources. The terms of these debt agreements are detailed in Note 8. Debt obligations with the South Dakota Department of Agriculture and Natural Resources in the amount of \$13,119,846 were repaid in August 2021.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2021

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to year-end, the cross-over refunding of SRF bonds was completed and the Authority repaid \$13,119,846 of outstanding bonds on August 1, 2021.

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

SUPPLEMENTARY INFORMATION

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**South Dakota Ellsworth Development Authority
Schedule of Operations Expenses
For the Year Ended June 30, 2021**

	General Fund	Adjustments	Statement of Activities
Operations Expenses:			
Contracted Services	\$ 493,500	\$ -	\$ 493,500
Professional Fees	262,652	-	262,652
Land Operations Costs	274,081	(2)	274,079
Office Expenses	30,935	(1,686)	29,249
Travel	7,756	-	7,756
Depreciation	-	421	421
Other	661	-	661
	\$ 1,069,585	\$ (1,688)	\$ 1,068,318

See independent auditor's report.