

**South Dakota Ellsworth Development Authority**

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

**For the Year Ended  
June 30, 2022**



**South Dakota Ellsworth Development Authority**  
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**June 30, 2022**

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## **Independent Auditor's Report**

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

### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of South Dakota Ellsworth Development Authority, as of and for the year ended June 30, 2022, a component unit of the State of South Dakota, 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.

In our opinion, the accompanying 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, a component unit of the State of South Dakota, as of June 30, 2022, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Dakota Ellsworth Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Dakota Ellsworth Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Dakota Ellsworth Development Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Dakota Ellsworth Development Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 expenditures of federal awards 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 3, 2022, on our consideration of the 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 the 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 3, 2022



# South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2022

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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, 2022. 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 \$7,447,711. During the year, current and other assets decreased by \$14,366,542. This is due to the timing of the refinance of outstanding bond obligations. Excess cash held in the prior year was used to repay outstanding debt obligations during the year ended June 30, 2022.
- During the year, the Authority's revenues increased by \$7,115,884, primarily due to the purchase of several properties through the REPI Program and grant funding for the construction of the Liberty Center.
- During the year, the Authority's expenses increased by approximately \$396,000, related to the costs of property purchases under the REPI program and costs related to the Water Project.
- The General Fund balance decreased by over \$2 million due to the transfer of a note receivable to the Liberty Center Fund.
- The Waste Water Treatment Fund experienced an increase in net position of \$136,482.
- The Liberty Center Fund experienced an increase in net position of \$9,396,843 primarily related to the construction project which is being funded by state and federal appropriations.
- The Water Project Fund is a new project to evaluate the feasibility of and construct a water system to support the neighboring communities around Ellsworth Air Force Base. The increase in net position of \$113,974 was related to funding provided by a federal appropriation.

## 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.
  - o Governmental funds statements tell how general governmental services are financed in the short-term as well as what remains for future spending.
  - o 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, Liberty Center Fund, and Water Project Fund as proprietary funds.
  - o Fiduciary fund statements provide information about the financial relationship of the Black Hills Military Advisory Coalition, in which the Authority acts solely as an agent for the benefit of others, to whom the resources in question belong.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2022**

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.

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	Fiduciary Funds
Scope	Entire Authority	The activities that are not proprietary	Activities that operate similar to private businesses, the Waste Water Treatment Plant, the Liberty Center, and the Water Project	Assets held by the Authority on behalf of someone else.
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	*Statement of Fiduciary Net Position *Statement of Changes in Net Position
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	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	All assets and liabilities, both short-term and long-term; the Authority's funds do not currently contain capital assets although they can.
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.	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, 2022

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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 of 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 constructing the Liberty Center which will be a community center and athletic facility for the Ellsworth Air Force Base and Box Elder communities. The Authority is analyzing the need for a water system to support neighboring properties of Ellsworth Air Force Base.

# South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2022

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## 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 three 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, the Liberty Center, and the Water Project funds as enterprise funds.
- *Fiduciary Funds* - The Authority is the fiduciary for external parties. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purposes and only by those to whom the assets belong. All fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the Authority's government-wide financial statements because the Authority cannot use the assets to finance its operations.

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, 2022**

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

**Net Position**

The Authority's combined net position increased as follows:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021 - 2022
Current and Other Assets	\$ 6,113,683	\$ 3,083,456	\$ 14,580,935	\$ 3,244,620	\$ 20,694,618	\$ 6,328,076	-69.42%
Capital Assets (Net of Depreciation)	1,338	16,703	19,975,426	26,976,368	19,976,764	26,993,071	35.12%
<b>Total Assets</b>	<u>6,115,021</u>	<u>3,100,159</u>	<u>34,556,361</u>	<u>30,220,988</u>	<u>40,671,382</u>	<u>33,321,147</u>	-18.07%
Long-term Liabilities Outstanding	1,620,500	1,620,500	31,170,748	16,989,379	32,791,248	18,609,879	-43.25%
Other Liabilities	2,225,908	1,410,634	629,990	828,687	2,855,898	2,239,321	-21.59%
<b>Total Liabilities</b>	<u>3,846,408</u>	<u>3,031,134</u>	<u>31,800,738</u>	<u>17,818,066</u>	<u>35,647,146</u>	<u>20,849,200</u>	-41.51%
Net Investment in Capital Assets	1,338	16,703	84,371	9,890,430	85,709	9,907,133	11459.03%
Unrestricted	<u>2,267,275</u>	<u>52,322</u>	<u>2,671,252</u>	<u>2,512,492</u>	<u>4,938,527</u>	<u>2,564,814</u>	-48.07%
<b>Total Net Position</b>	<u>\$ 2,268,613</u>	<u>\$ 69,025</u>	<u>\$ 2,755,623</u>	<u>\$ 12,402,922</u>	<u>\$ 5,024,236</u>	<u>\$ 12,471,947</u>	148.24%

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, 2022**

**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
	2021	2022	2021	2022	2021	2022	2022 - 2021
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 47,878	\$ 46,885	\$ 2,721,137	\$ 3,024,548	\$ 2,769,015	\$ 3,071,433	10.92%
Operating Grants and Contributions	200,285	200,004	-	60,000	200,285	260,004	29.82%
Capital Grants and Contributions	1,036,501	828,319	1,294,341	7,274,726	2,330,842	8,103,045	247.64%
General Revenues							
Gain (Loss) on Sales of Properties	(891,774)	90,217	-	-	(891,774)	90,217	-110.12%
Unrestricted Earnings	4,366	-	6,537	10,456	10,903	10,456	-4.10%
Total Revenues	<u>397,256</u>	<u>1,165,425</u>	<u>4,022,015</u>	<u>10,369,730</u>	<u>4,419,271</u>	<u>11,535,155</u>	161.02%
<b>Expenses</b>							
Compatible Use and Development	1,068,318	1,632,851	-	-	1,068,318	1,632,851	52.84%
Waste Water Treatment	-	-	2,608,076	2,268,522	2,608,076	2,268,522	-13.02%
Liberty Center	-	-	14,641	45	14,641	45	-99.69%
Water Project	-	-	-	186,026	-	186,026	100.00%
Total Expenses	<u>1,068,318</u>	<u>1,632,851</u>	<u>2,622,717</u>	<u>2,454,593</u>	<u>3,691,035</u>	<u>4,087,444</u>	10.74%
Excess (Deficiency) Before Special Items and Transfers	(671,062)	(467,426)	1,399,298	7,915,137	728,236	7,447,711	922.71%
Transfers In (Out)	<u>(445,778)</u>	<u>(1,732,162)</u>	<u>445,778</u>	<u>1,732,162</u>	<u>-</u>	<u>-</u>	0.00%
Change in Net Position	<u>\$ (1,116,840)</u>	<u>\$ (2,199,588)</u>	<u>\$ 1,845,076</u>	<u>\$ 9,647,299</u>	<u>\$ 728,236</u>	<u>\$ 7,447,711</u>	922.71%

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 \$1,672,822, which is a decrease of \$2,214,953 compared to the prior year.

**South Dakota Ellsworth Development Authority  
Management's Discussion and Analysis  
June 30, 2022**

**CAPITAL ASSET ADMINISTRATION**

The Authority has invested \$26,993,071 in capital assets, net of accumulated depreciation as of June 30, 2022. 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
	2021	2022	2021	2022	2021 - 2022	2021 - 2022
Land and Land Easements	\$ 73	\$ 78	\$ -	\$ 653,400	\$ 653,405	895075.34%
Equipment	1,265	16,625	-	402,058	417,418	32997.47%
Buildings	-	-	13,243,961	12,670,648	(573,313)	-4.33%
Improvements	-	-	5,005,987	4,729,147	(276,840)	-5.53%
Construction in Progress	-	-	1,725,478	8,521,115	6,795,637	393.84%
<b>Total Capital Assets (Net)</b>	<b>\$ 1,338</b>	<b>\$ 16,703</b>	<b>\$ 19,975,426</b>	<b>\$ 26,976,368</b>	<b>\$ 7,016,307</b>	<b>35.12%</b>

**LONG-TERM DEBT**

As of June 30, 2022, the Authority had \$18,609,879 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
	2021	2022	2021	2022	2021 - 2022	2021 - 2022
NSP Loan	\$ 1,620,500	\$ 1,620,500	\$ -	\$ -	\$ -	0.00%
Bonds	-	-	31,170,748	16,989,379	(14,181,369)	-45.50%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 1,620,500</b>	<b>\$ 1,620,500</b>	<b>\$ 31,170,748</b>	<b>\$ 16,989,379</b>	<b>\$ (14,181,369)</b>	<b>-45.50%</b>

The Authority retired bonds of \$14,181,369 related to the Waste Water Treatment Plan and infrastructure. Of this amount \$13,119,845 was part of the refinancing of bonds during the year ended June 30, 2021 that were callable in August of 2021.

# **South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2022**

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## **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 Liberty Center construction will be completed in September of 2022 and its operations will be funded with user charges. The Authority is conducting a feasibility study related to the development of a water project to serve properties that neighbor Ellsworth Air Force Base and Box Elder.

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, 2022**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash	\$ 2,473,871	\$ 714,796	\$ 3,188,667
Accounts Receivable	28,927	968,163	997,090
Long-term Notes Receivable, Net	50,000	-	50,000
Land Transfer Receivable	-	1,500,000	1,500,000
Capital Credits	-	61,661	61,661
Assets Held for Development, Net	530,658	-	530,658
Land and Easements	78	653,400	653,478
Buildings	-	17,199,375	17,199,375
Improvements	-	6,920,781	6,920,781
Equipment	23,135	402,058	425,193
Construction in Progress	-	8,521,115	8,521,115
Accumulated Depreciation	<u>(6,510)</u>	<u>(6,720,361)</u>	<u>(6,726,871)</u>
<b>TOTAL ASSETS</b>	<u>3,100,159</u>	<u>30,220,988</u>	<u>33,321,147</u>
<b>LIABILITIES</b>			
Accounts Payable	15,648	777,931	793,579
Accrued Interest	-	50,756	50,756
Unearned Revenue	1,394,986	-	1,394,986
Long-term Debt:			
Due in One Year	-	1,162,186	1,162,186
Due in More than One Year	<u>1,620,500</u>	<u>15,827,193</u>	<u>17,447,693</u>
<b>TOTAL LIABILITIES</b>	<u>3,031,134</u>	<u>17,818,066</u>	<u>20,849,200</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,703	9,890,430	9,907,133
Unrestricted	<u>52,322</u>	<u>2,512,492</u>	<u>2,564,814</u>
<b>TOTAL NET POSITION</b>	<u>\$ 69,025</u>	<u>\$ 12,402,922</u>	<u>\$ 12,471,947</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, 2022**

Functions/Programs	Expenses	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
Compatible Use and Development	\$ 1,632,851	\$ 46,885
Total Governmental Activities	<u>1,632,851</u>	<u>46,885</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Waste Water Treatment	2,268,522	2,724,548
Liberty Center	45	-
Water Project	<u>186,026</u>	<u>300,000</u>
Total Business-type Activities	<u>2,454,593</u>	<u>3,024,548</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 4,087,444</u>	<u>\$ 3,071,433</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
\$ 200,004	\$ 828,319	\$ (557,643)	\$ -	\$ (557,643)
<u>200,004</u>	<u>828,319</u>	<u>(557,643)</u>	<u>-</u>	<u>(557,643)</u>
-	-	-	456,026	456,026
60,000	7,274,726	-	7,334,681	7,334,681
-	-	-	113,974	113,974
<u>60,000</u>	<u>7,274,726</u>	<u>-</u>	<u>7,904,681</u>	<u>7,904,681</u>
<u>\$ 260,004</u>	<u>\$ 8,103,045</u>	<u>(557,643)</u>	<u>7,904,681</u>	<u>7,347,038</u>
<b>GENERAL REVENUES</b>				
Unrestricted Investment Earnings		-	10,456	10,456
Gain on Sales of Properties		90,217	-	90,217
Transfers In (Out)		<u>(1,732,162)</u>	<u>1,732,162</u>	<u>-</u>
Total General Revenues		<u>(1,641,945)</u>	<u>1,742,618</u>	<u>100,673</u>
<b>CHANGE IN NET POSITION</b>		(2,199,588)	9,647,299	7,447,711
<b>NET POSITION - BEGINNING</b>		<u>2,268,613</u>	<u>2,755,623</u>	<u>5,024,236</u>
<b>NET POSITION - ENDING</b>		<u>\$ 69,025</u>	<u>\$ 12,402,922</u>	<u>\$ 12,471,947</u>

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority**  
**Balance Sheet - General Fund**  
**June 30, 2022**

	General Fund
<b>ASSETS</b>	
Cash	\$ 2,473,871
Accounts Receivable	28,927
Long-term Notes Receivable, Net of Allowance	50,000
Assets Held for Development, Net	530,658
<b>TOTAL ASSETS</b>	<b>\$ 3,083,456</b>
<b>LIABILITIES</b>	
Accrued Expenses	\$ 15,648
Unearned Revenue	1,394,986
<b>TOTAL LIABILITIES</b>	<b>1,410,634</b>
<b>FUND BALANCE</b>	
Nonspendable:	
Noncurrent Notes Receivable	50,000
Assets Held for Development, Net of Deferred Inflows of Resources	530,658
Unassigned	1,092,164
<b>TOTAL FUND BALANCE</b>	<b>1,672,822</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,083,456</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, 2022**

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Total Governmental Fund Balance	\$ 1,672,822
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.	16,703
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>\$ 69,025</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, 2022**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal Revenue:	
Capital Grants	\$ 828,319
Local Revenue:	
Operating Contributions from Private Parties	200,004
Rentals	46,885
Total Revenues	1,075,208
<b>EXPENDITURES</b>	
Contracted Services	428,500
Professional Fees	235,543
Compatible Use	11,232
Office Expenses	19,537
Travel	15,032
Capital Outlays	938,372
Total Expenditures	1,648,216
<b>EXCESS OF EXPEDITURES OVER REVENUES</b>	<b>(573,008)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers Out	(1,732,162)
Proceeds from the Sale of Property	90,217
Total Other Financing Sources (Uses)	<b>(1,641,945)</b>
<b>CHANGE IN FUND BALANCES</b>	<b>(2,214,953)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>3,887,775</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,672,822</b>

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority  
Reconciliation of the Governmental Fund Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2022**

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Total Governmental Fund Net Change in Fund Balances \$ (2,214,953)

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

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.

15,365

Change in Net Position of Governmental Activities \$ (2,199,588)

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2022**

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 363,101	\$ 173,603	\$ 178,092	\$ 714,796
Accounts Receivable	454,127	514,036	-	968,163
Land Transfer Receivable, Current	-	1,500,000	-	1,500,000
<b>Total Current Assets</b>	<b>817,228</b>	<b>2,187,639</b>	<b>178,092</b>	<b>3,182,959</b>
Capital Assets:				
Land	-	653,400	-	653,400
Buildings	17,199,375	-	-	17,199,375
Improvements	6,920,781	-	-	6,920,781
Equipment, Not Yet Placed In Service	-	402,058	-	402,058
Construction in Progress	-	8,521,115	-	8,521,115
Accumulated Depreciation	(6,720,361)	-	-	(6,720,361)
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>17,399,795</b>	<b>9,576,573</b>	<b>-</b>	<b>26,976,368</b>
Noncurrent Assets:				
Capital Credits	61,661	-	-	61,661
<b>TOTAL ASSETS</b>	<b>\$ 18,278,684</b>	<b>\$ 11,764,212</b>	<b>\$ 178,092</b>	<b>\$ 30,220,988</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 71,922	\$ 641,891	\$ 64,118	\$ 777,931
Accrued Interest	50,756	-	-	50,756
Current Maturities of Long-term Debt	1,162,186	-	-	1,162,186
<b>Total Current Liabilities</b>	<b>1,284,864</b>	<b>641,891</b>	<b>64,118</b>	<b>1,990,873</b>
Long-term Liabilities	15,827,193	-	-	15,827,193
<b>TOTAL LIABILITIES</b>	<b>17,112,057</b>	<b>641,891</b>	<b>64,118</b>	<b>17,818,066</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	955,748	8,934,682	-	9,890,430
Unrestricted	210,879	2,187,639	113,974	2,512,492
<b>TOTAL NET POSITION</b>	<b>\$ 1,166,627</b>	<b>\$ 11,122,321</b>	<b>\$ 113,974</b>	<b>\$ 12,402,922</b>

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, 2022**

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 2,724,548	\$ -	\$ 300,000	\$ 3,024,548
Operating Grants and Donations	-	60,000	-	60,000
Total Operating Revenues	<u>2,724,548</u>	<u>60,000</u>	<u>300,000</u>	<u>3,084,548</u>
<b>OPERATING EXPENSES</b>				
Contracted Services	560,340	-	-	560,340
Other Operating Expenses	402,848	45	186,026	588,919
Depreciation	850,153	-	-	850,153
Total Operating Expenses	<u>1,813,341</u>	<u>45</u>	<u>186,026</u>	<u>1,999,412</u>
Operating Income	<u>911,207</u>	<u>59,955</u>	<u>113,974</u>	<u>1,085,136</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Capital Grants	-	7,274,726	-	7,274,726
Interest Expense	(455,181)	-	-	(455,181)
Interest Income	10,456	-	-	10,456
Total Nonoperating Revenues (Expenses)	<u>(444,725)</u>	<u>7,274,726</u>	<u>-</u>	<u>6,830,001</u>
<b>INCOME BEFORE TRANSFERS</b>	466,482	7,334,681	113,974	7,915,137
Transfer In (Out)	<u>(330,000)</u>	<u>2,062,162</u>	<u>-</u>	<u>1,732,162</u>
<b>CHANGE IN NET POSITION</b>	136,482	9,396,843	113,974	9,647,299
<b>NET POSITION - BEGINNING</b>	<u>1,030,145</u>	<u>1,725,478</u>	<u>-</u>	<u>2,755,623</u>
<b>NET POSITION - ENDING</b>	<u>\$ 1,166,627</u>	<u>\$ 11,122,321</u>	<u>\$ 113,974</u>	<u>\$ 12,402,922</u>

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, 2022**

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts from Customers and Sponsors	\$ 3,130,241	\$ 60,000	\$ 300,000	\$ 3,490,241
Cash Payments to Vendors for Goods and Services	<u>(987,336)</u>	<u>(45)</u>	<u>(121,908)</u>	<u>(1,109,289)</u>
Net Cash Provided by Operating Activities	<u>2,142,905</u>	<u>59,955</u>	<u>178,092</u>	<u>2,380,952</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interest Receipts	336	-	-	336
Repayment of Interfund Borrowing	-	(329,070)	-	(329,070)
Transfers from (to) Other Funds	<u>(330,000)</u>	<u>562,162</u>	<u>-</u>	<u>232,162</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(329,664)</u>	<u>233,092</u>	<u>-</u>	<u>(96,572)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Grants	-	7,527,842	-	7,527,842
Purchase of Capital Assets	-	(7,647,286)	-	(7,647,286)
Interest Paid on Capital Debt	(500,263)	-	-	(500,263)
Principal Paid on Capital Debt	<u>(14,181,369)</u>	<u>-</u>	<u>-</u>	<u>(14,181,369)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,681,632)</u>	<u>(119,444)</u>	<u>-</u>	<u>(14,801,076)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(12,868,391)	173,603	178,092	(12,516,696)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>13,231,492</u>	<u>-</u>	<u>-</u>	<u>13,231,492</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 363,101</u>	<u>\$ 173,603</u>	<u>\$ 178,092</u>	<u>\$ 714,796</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 911,207	\$ 59,955	\$ 113,974	\$ 1,085,136
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	850,153	-	-	850,153
Change in Assets and Liabilities:				
Accounts Receivable	405,693	-	-	405,693
Accounts Payable	<u>(24,148)</u>	<u>-</u>	<u>64,118</u>	<u>39,970</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,142,905</u>	<u>\$ 59,955</u>	<u>\$ 178,092</u>	<u>\$ 2,380,952</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>				
Construction in Progress included in Accounts Payable	<u>\$ -</u>	<u>\$ 641,891</u>	<u>\$ -</u>	<u>\$ 641,891</u>

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority**  
**Statement of Net Position - Fiduciary Funds**  
**June 30, 2022**

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	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash	\$ 193,551
Accounts Receivable	<u>29,613</u>
<b>TOTAL ASSETS</b>	<u>\$ 223,164</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>19,003</u>
<b>NET POSITION</b>	
Restricted for Black Hills Military Advisory Coalition	<u>\$ 204,161</u>

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority  
Statement of Changes in Net Position - Fiduciary Funds  
For the Year Ended June 30, 2022**

	Custodial Fund
<b>ADDITIONS</b>	
Contributions	\$ 283,552
Event Income	118,163
Total Additions	401,715
<b>DEDUCTIONS</b>	
Events and Military Support Expenses	197,554
<b>CHANGE IN NET POSITION</b>	
Restricted for Black Hills Military Advisory Coalition	204,161
<b>NET POSITION - BEGINNING</b>	-
<b>NET POSITION - ENDING</b>	\$ 204,161

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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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 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, 2022**

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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 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 accounts 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.

*Water Project Fund* - Financed primarily by user charges. This fund accounts for the operation of a regional water facility serving neighboring properties to Ellsworth Air Force Base and the Box Elder Community. The water project is currently undergoing feasibility analysis. Construction is expected to begin in the next fiscal year and will be funded with state and federal appropriations and loans. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

*Custodial Funds* - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Authority maintains custodial funds to hold assets as an agent in a trustee capacity for the Black Hills Military Advisory Coalition.

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 and fiduciary 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.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

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.

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, 2022, 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.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

J. Capital Assets

Capital assets include land and easements, equipment, building, 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.

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. Leases

The Authority is a lessee for a noncancellable lease of office equipment including copiers, phones, and a postage machine. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$45,000 or more.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

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

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

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

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

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

**M. Unearned Revenue**

At June 30, 2022, unearned revenue includes funding received in advance of being earned by the Authority.

**N. 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, 2022, there were no deferred inflows of resources reported.

**O. 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.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

P. 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.

Q. 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.

*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.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**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, 2022 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, 2022, 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, 2022.

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, 2022 generally consist of amounts due from unrelated parties for leasing various parcels of land of the Authority and current funding commitments from local economic development agencies. As of June 30, 2022, the Authority was owed \$28,927.

For the proprietary fund and business-type activities, accounts receivable at June 30, 2022 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 U.S. Department of Defense.

Accounts receivable at June 30, 2022 are considered fully collectible and, as such, no allowance has been recorded.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**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 includes land valued at \$530,658 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. During the year ended June 20, 2022, the receivable was transferred from the General Fund to the Liberty Center Fund. The collections of the receivable are being used to finance the construction of the Liberty Center. It is expected that the entire receivable will be collected by September 2022.

**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, 2022, 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, 2022**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Impairments/ Deletions	Balance June 30, 2022
<b>Governmental Activities:</b>				
<b>Nondepreciable Capital Assets:</b>				
Land and Easements	\$ 73	\$ 920,347	\$ (920,342)	\$ 78
Total Nondepreciable Assets	73	920,347	(920,342)	78
<b>Capital Assets Being Depreciated:</b>				
Equipment	5,110	18,025	-	23,135
Total Depreciable Capital Assets	5,110	18,025	-	23,135
<b>Less Accumulated Depreciation:</b>				
Equipment	3,845	2,665	-	6,510
Total Accumulated Depreciation	3,845	2,665	-	6,510
Depreciable Capital Assets, Net	1,265	15,360	-	16,625
Total Capital Assets, Net	<u>\$ 1,338</u>	<u>\$ 935,707</u>	<u>\$ (920,342)</u>	<u>\$ 16,703</u>
<b>Business-type Activities:</b>				
<b>Nondepreciable Capital Assets:</b>				
Land	\$ -	\$ 653,400	\$ -	\$ 653,400
Equipment Not Yet Placed in Service	-	402,058	-	402,058
Construction in Progress	1,725,478	6,795,637	-	8,521,115
Total Nondepreciable Assets	1,725,478	7,851,095	-	9,576,573
<b>Capital Assets Being Depreciated:</b>				
Buildings	\$ 17,199,375	\$ -	\$ -	\$ 17,199,375
Improvements	6,920,781	-	-	6,920,781
Total Depreciable Capital Assets	24,120,156	-	-	24,120,156
<b>Less Accumulated Depreciation:</b>				
Buildings	3,955,414	573,313	-	4,528,727
Improvements	1,914,794	276,840	-	2,191,634
Total Accumulated Depreciation	5,870,208	850,153	-	6,720,361
Depreciable Capital Assets, Net	18,249,948	(850,153)	-	17,399,795
Total Capital Assets, Net	<u>\$ 19,975,426</u>	<u>\$ 7,000,942</u>	<u>\$ -</u>	<u>\$ 26,976,368</u>

Depreciation in the amount of \$850,153 was charged to the Waste Water Treatment Plant Fund and depreciation of \$2,665 was charged to the compatible use function of the governmental activities.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**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, 2022, 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 September 2022. Equipment and furnishings for the Liberty Center in the amount of \$402,058 have been purchased and will be placed into service upon completion of the building.

**NOTE 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	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	-	(341,672)	5,519,131	383,749
Refunding Bond 2012B: USAF	5,860,803	-	(341,672)	5,519,131	383,749
Refunding Bond 2013A: Box Elder	1,283,565	-	(71,404)	1,212,161	80,537
Refunding Bond 2013B: USAF	3,911,389	-	(238,311)	3,673,078	244,041
Refunding Bond 2013C: Box Elder	555,152	-	(34,605)	520,547	35,437
Refunding Bond 2013D: USAF	579,190	-	(33,859)	545,331	34,673
SRF Series 2012A: Box Elder	5,912,869	-	(5,912,869)	-	-
SRF Series 2012B: USAF	5,912,869	-	(5,912,869)	-	-
SRF Series 2013A: Int. Box Elder	1,294,108	-	(1,294,108)	-	-
Total Business-type Activities	<u>31,170,748</u>	<u>-</u>	<u>(14,181,369)</u>	<u>16,989,379</u>	<u>1,162,186</u>
Total Long-term Liabilities	<u>\$ 32,791,248</u>	<u>\$ -</u>	<u>\$ (14,181,369)</u>	<u>\$ 18,609,879</u>	<u>\$ 1,162,186</u>

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

Outstanding debt obligations at June 30, 2022 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:

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.

\$ 16,989,379

Total Business-type Activities

\$ 16,989,379

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

Governmental Activities:

Year Ending June 30,	Principal	Interest	Total
2033	<u>\$ 1,620,500</u>	<u>\$ -</u>	<u>\$ 1,620,500</u>

Business-type Activities:

Years Ending June 30,	Principal	Interest	Total
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	1,278,050	283,279	1,561,329
2028 - 2032	6,866,215	940,430	7,806,645
2033 - 2036	<u>4,026,014</u>	<u>155,524</u>	<u>4,181,538</u>
	<u>\$ 16,989,379</u>	<u>\$ 2,805,449</u>	<u>\$ 19,794,828</u>

The bond debt agreements require the Authority to maintain a rate covenant of net revenues available for debt service of at least 120% of debt service requirements as discussed in Note 9. The Authority has annual revenues in excess of the required principal and interest.

During the year ended June 30, 2022, the Authority was authorized to borrow up to \$3.25 million from Dakota Resources. As of June 30, 2022, none of the loan funds were advanced. The board authorized the loans in order to create a re-lending program with contractors and developers for the construction of housing.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

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 was deposited into an account and was held to pay off the remaining bonds of \$13,119,846. This repayment occurred during the year ended June 30, 2022.

**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	\$	19,794,828
Pledged Revenue Recognized		2,724,548
Principal and Interest Requirements		1,561,329

**NOTE 10 - INTERFUND BALANCES**

During the year ended June 30, 2022, the developer note receivable in the amount of \$2,000,000 was transferred from the General Fund to the Liberty Center Fund. The repayment of this note is being used to fund the construction of the Liberty Center. In addition, \$62,162 for construction costs that were the Authority's responsibility was transferred from the General Fund to the Liberty Fund.

During the year ended June 20, 2022, \$330,000 was transferred from the Waste Water Treatment Plant Fund transferred to the General Fund for overhead costs related to the operations of the plant.

**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 are 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.

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

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 defend and protect the members against liability, 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, 2022, the Authority carried deductibles of \$25,000 for each coverage type.

**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 (58%) and the City of Box Elder (42%). 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 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, 2022 were \$560,349. Expected future payments under the firm fixed price contract are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 571,547
2024	582,978

**South Dakota Ellsworth Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**NOTE 16 - LEASES**

The Authority leases office space in Rapid City with a noncancelable operating lease that terminates on August 31, 2026. The lease agreement requires monthly payments of \$573. The Authority leased different office space for \$1,400 per month through August of 2021. Annual rent expense for the year ended June 30, 2022 was \$9,102. Future minimum rents are as follows for the years ended June 30:

<u>Year</u>	<u>Rent Payments</u>
2023	\$ 6,876
2024	6,876
2025	6,876
2026	6,876
2027	1,146

Management has determined that the impacts of recording an obligation for future lease payments and a right to use the leased office space are not material to the government-wide financial statements.

The Authority allows the use of owned properties by other parties under various short-term agreements. Annual lease revenues were \$46,885 for the year ended June 30, 2022. Lease revenues are expected to be \$15,000 for the year ended June 20, 2023. Revenues related to these agreements are recorded when amounts are collected.

**NOTE 17 - TRANSACTIONS WITH THE 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. During the year ended June 30, 2022, \$1,895,023 was recognized as revenue.

**NOTE 18 - SUBSEQUENT EVENTS**

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

## SINGLE AUDIT INFORMATION





**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, a component unit of the State of South Dakota, as of and for the year ended June 30, 2022, 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 3, 2022.

**Report on 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.

## Report on 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 cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota  
October 3, 2022



## **Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited South Dakota Ellsworth Development Authority’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of South Dakota Ellsworth Development Authority’s major federal programs for the year ended June 30, 2022. The Authority’s major federal programs are identified in the State of South Dakota Single Audit and included in the summary auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Dakota Ellsworth Development Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Dakota Ellsworth Development Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Dakota Ellsworth Development Authority’s compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to South Dakota Ellsworth

Development Authority's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Dakota Ellsworth Development Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Dakota Ellsworth Development Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Dakota Ellsworth Development Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Dakota Ellsworth Development Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness South Dakota Ellsworth Development Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Mitchell, South Dakota  
October 3, 2022



**Schedule of Current Audit Findings**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified:                           Yes              X   None Reported

Significant deficiencies identified?                           Yes              X   None Reported

Noncompliance material to financial statements noted?                           Yes              X   No

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified?                           Yes              X   None Reported

Significant deficiencies identified?                           Yes              X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                           Yes              X   No

**Identification of Major Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.600	US Department of Defense Community Investment

Dollar threshold used to distinguish between type A and type B programs as determined for the State of South Dakota Single Audit:                           \$ 9,000,000

South Dakota Ellsworth Development Authority, as a component unit of the State of South Dakota, Qualified as low-risk auditee?                           Yes              X   No

## **Schedule of Current Audit Findings (continued)**

### **Section II – Financial Statement Findings**

There are no findings which are required to be reported in accordance with Government Auditing Standards.

### **Section III – Federal Award Findings and Questioned Costs**

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).

## Schedule of Prior Audit Findings

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

**South Dakota Ellsworth Development Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

Assistance Listing Number	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through ID	Amount
12.600	Y	<b>U.S. Department of Defense</b> Community Investment	N/A	N/A	<u>\$ 4,715,667</u>
<b>Total Federal Financial Assistance</b>					<u>\$ 4,715,667</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2: The Authority has not elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

See independent auditor's report.