



Financial Statements
December 31, 2021 and 2020
City of Groton

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Independent Auditor's Report

To the City Council
City of Groton
Groton, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groton (the City) as of and for the year ended December 31, 2021, and for each of the years in the two year period then ended and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in modified cash basis financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 City 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 the City'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 the City'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of employer's share of net pension liability (asset) and pension contributions, budgetary comparison schedules, and schedule of changes in notes and bonds payable (collectively, the "supplementary information") 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2023, on our consideration of the City'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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota
July 19, 2023

City of Groton
Statement of Net Position—Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 715,210	\$ 3,776,879	\$ 4,492,089
Restricted assets:			
Cash and cash equivalents	157,296	-	157,296
	<u>\$ 872,506</u>	<u>\$ 3,776,879</u>	<u>\$ 4,649,385</u>
Net Position			
Restricted for:			
Debt service	\$ -	\$ 258,139	\$ 258,139
Cemetery perpetual care - nonexpendable	35,242	-	35,242
Promotion	124,419	-	124,419
Unrestricted	712,845	3,518,740	4,231,585
	<u>\$ 872,506</u>	<u>\$ 3,776,879</u>	<u>\$ 4,649,385</u>

City of Groton
Statements of Activities—Modified Cash Basis
Year Ended December 31, 2021

Functions/Programs	2021						
	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Loan Proceeds	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 591,501	\$ 45,202	\$ -	\$ -	\$ (546,299)	\$ -	\$ (546,299)
Public safety	445,441	1,882	-	20,800	(422,759)	-	(422,759)
Public works	457,954	4,292	63,262	157,818	(232,582)	-	(232,582)
Health and welfare	2,561	-	-	-	(2,561)	-	(2,561)
Culture and recreation	306,219	133,605	-	-	(172,614)	-	(172,614)
Conservation and development	13,981	-	-	-	(13,981)	-	(13,981)
Debt service	251,307	-	-	42,435	(208,872)	-	(208,872)
Miscellaneous	476	-	-	-	(476)	-	(476)
Total governmental activities	<u>2,069,440</u>	<u>184,981</u>	<u>63,262</u>	<u>221,053</u>	<u>(1,600,144)</u>	<u>-</u>	<u>(1,600,144)</u>
Business-type activities:							
Water Fund	1,116,654	494,937	-	770,588	-	148,871	148,871
Sewer Fund	169,090	208,111	-	-	-	39,021	39,021
Electric Fund	1,216,289	1,751,323	-	-	-	535,034	535,034
Solid Waste Fund	105,057	112,339	-	-	-	7,282	7,282
Total business-type activities	<u>2,607,090</u>	<u>2,566,710</u>	<u>-</u>	<u>770,588</u>	<u>-</u>	<u>730,208</u>	<u>730,208</u>
Total primary government	<u>\$ 4,676,530</u>	<u>\$ 2,751,691</u>	<u>\$ 63,262</u>	<u>\$ 991,641</u>	<u>(1,600,144)</u>	<u>730,208</u>	<u>(869,936)</u>
General Revenues							
Taxes:							
Property taxes					721,060	-	721,060
Sales taxes					714,566	-	714,566
Penalties and interest on delinquent taxes					3,199	-	3,199
State shared revenues					29,863	-	29,863
Unrestricted investment earnings					914	1,726	2,640
Miscellaneous revenue					21,991	-	21,991
Sale of Municipal Property					2,494	-	2,494
Total general revenues					<u>1,494,087</u>	<u>1,726</u>	<u>1,495,813</u>
Change in Net Position					(106,057)	731,934	625,877
Net Position - Beginning					978,563	3,044,945	4,023,508
Net Position - Ending					<u>\$ 872,506</u>	<u>\$ 3,776,879</u>	<u>\$ 4,649,385</u>

See Notes to Financial Statements

City of Groton
Statements of Activities—Modified Cash Basis
Year Ended December 31, 2020

Functions/Programs	2020						
	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Loan Proceeds	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 369,809	\$ 44,305	\$ -	\$ -	\$ (325,504)	\$ -	\$ (325,504)
Public safety	378,106	2,180	-	32,265	(343,661)	-	(343,661)
Public works	282,048	14,965	61,139	313,800	107,856	-	107,856
Health and welfare	3,834	-	-	-	(3,834)	-	(3,834)
Culture and recreation	222,957	61,154	-	-	(161,803)	-	(161,803)
Conservation and development	13,302	-	-	-	(13,302)	-	(13,302)
Debt service	249,307	-	-	55,561	(193,746)	-	(193,746)
Miscellaneous	659	-	-	-	(659)	-	(659)
Total governmental activities	<u>1,520,022</u>	<u>122,604</u>	<u>61,139</u>	<u>401,626</u>	<u>(934,653)</u>	<u>-</u>	<u>(934,653)</u>
Business-type activities:							
Water fund	1,086,069	456,159	-	728,874	-	98,964	98,964
Sewer fund	109,523	209,074	-	-	-	99,551	99,551
Electric fund	1,159,430	1,770,482	-	-	-	611,052	611,052
Solid waste fund	103,771	115,572	-	-	-	11,801	11,801
Total business-type activities	<u>2,458,793</u>	<u>2,551,287</u>	<u>-</u>	<u>728,874</u>	<u>-</u>	<u>821,368</u>	<u>821,368</u>
Total primary government	<u>\$ 3,978,815</u>	<u>\$ 2,673,891</u>	<u>\$ 61,139</u>	<u>\$ 1,130,500</u>	<u>(934,653)</u>	<u>821,368</u>	<u>(113,285)</u>
General Revenues							
Taxes:							
Property taxes					687,235	-	687,235
Sales taxes					604,518	-	604,518
Penalties and interest on delinquent taxes					1,308	-	1,308
State shared revenues					18,708	-	18,708
Unrestricted investment earnings					764	-	764
Miscellaneous revenue					15,701	-	15,701
Total general revenues					<u>1,328,234</u>	<u>-</u>	<u>1,328,234</u>
Change in Net Position					393,581	821,368	1,214,949
Net Position - Beginning					584,982	2,223,577	2,808,559
Net Position - Ending					<u>\$ 978,563</u>	<u>\$ 3,044,945</u>	<u>\$ 4,023,508</u>

City of Groton
Balance Sheet—Modified Cash Basis—Governmental Funds
December 31, 2021

	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 712,845	\$ -	\$ -	\$ -	\$ 2,365	\$ 715,210
Restricted cash and cash equivalents	-	124,419	-	-	32,877	157,296
Due from Funds	275,227	-	-	-	-	275,227
	<u>\$ 988,072</u>	<u>\$ 124,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,242</u>	<u>\$ 1,147,733</u>
Liabilities						
Due to General Fund	\$ -	\$ -	\$ 20,661	\$ 254,566	\$ -	\$ 275,227
Total liabilities	-	-	20,661	254,566	-	275,227
Fund Balances						
263 Nonspendable						
Cemetery perpetual care	-	-	-	-	35,242	35,242
264 Restricted for						
Promotion	-	124,419	-	-	-	124,419
267 Unassigned	988,072	-	(20,661)	(254,566)	-	712,845
Total fund balance	988,072	124,419	(20,661)	(254,566)	35,242	872,506
	<u>\$ 988,072</u>	<u>\$ 124,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,242</u>	<u>\$ 1,147,733</u>

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2021

	2021					Total Governmental Funds
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	
Revenues						
310 Taxes						
311 General property taxes	\$ 721,060	\$ -	\$ -	\$ -	\$ -	\$ 721,060
313 General sales and use taxes	675,931	38,635	-	-	-	714,566
319 Penalties and interest on delinquent taxes	3,199	-	-	-	-	3,199
Total taxes	1,400,190	38,635	-	-	-	1,438,825
320 Licenses and permits	25,437	-	-	-	-	25,437
330 Intergovernmental revenue						
331 Federal grants	147,889	-	-	-	-	147,889
334 State grants	9,929	-	-	-	-	9,929
335 State shared revenue						
335.01 Bank franchise tax	19,329	-	-	-	-	19,329
335.02 Motor vehicle commercial prorated	3,665	-	-	-	-	3,665
335.03 Liquor tax reversion	10,534	-	-	-	-	10,534
335.04 Motor vehicle licenses (5%)	23,231	-	-	-	-	23,231
335.08 Local government highway and bridge fund	34,405	-	-	-	-	34,405
338 County shared revenue						
338.01 County road tax (25%)	889	-	-	-	-	889
338.03 County wheel tax	1,072	-	-	-	-	1,072
Total intergovernmental revenue	250,943	-	-	-	-	250,943
340 Charges for goods and services						
341 General government	1,945	-	-	-	-	1,945
342 Public safety	1,004	-	-	-	-	1,004
343 Highways and streets	942	-	-	-	-	942
346 Culture and recreation	133,605	-	-	-	-	133,605
348 Cemetery	3,350	-	-	-	-	3,350
Total charges for good and services	140,846	-	-	-	-	140,846
350 Fines and forfeits						
352 Animal control fines	878	-	-	-	-	878
354 Library	-	-	-	-	-	-
Total fines and forfeits	878	-	-	-	-	878
360 Miscellaneous revenue						
361 Investment earnings	914	-	-	-	-	914
362 Rentals	-	-	17,820	-	-	17,820
363 Special assessments	-	-	-	42,435	-	42,435
367 Contributions and donations from private sources	20,800	-	-	-	-	20,800
368 Liquor operating agreement income	16,513	-	-	-	-	16,513
369 Other	5,478	-	-	-	-	5,478
Total miscellaneous revenue	43,705	-	17,820	42,435	-	103,960
Total revenues	1,861,999	38,635	17,820	42,435	-	1,960,889

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2021

	2021					
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Expenditures						
410 General government						
411 Legislative	22,560	-	-	-	-	22,560
412 Executive	8,540	-	-	-	-	8,540
413 Elections	863	-	-	-	-	863
414 Financial administration	322,454	-	-	-	-	322,454
419 Other	237,084	-	-	-	-	237,084
Total general government	591,501	-	-	-	-	591,501
420 Public safety						
421 Police	445,162	-	-	-	-	445,162
429 Other protection	279	-	-	-	-	279
Total public safety	445,441	-	-	-	-	445,441
430 Public works						
431 Highways and streets	408,469	-	-	-	-	408,469
432 Sanitation	2,469	-	-	-	-	2,469
435 Airport	-	-	27,772	-	-	27,772
437 Cemeteries	16,744	-	-	-	-	16,744
439 Transit	2,500	-	-	-	-	2,500
Total public works	430,182	-	27,772	-	-	457,954
440 Health and welfare						
441 Health	2,561	-	-	-	-	2,561
Total health and welfare	2,561	-	-	-	-	2,561
450 Culture and recreation						
451 Recreation	255,982	-	-	-	-	255,982
452 Parks	8,589	-	-	-	-	8,589
455 Libraries	33,080	-	-	-	-	33,080
456 Auditorium	8,568	-	-	-	-	8,568
Total culture and recreation	306,219	-	-	-	-	306,219
460 Conservation and development						
465 Economic development and assistance (industrial development)	13,981	-	-	-	-	13,981
Total conservation and development	13,981	-	-	-	-	13,981
470 Debt service	-	-	-	251,307	-	251,307
490 Miscellaneous						
492 Other expenditures	438	-	-	-	-	438
493 Liquor operating agreements	38	-	-	-	-	38
Total miscellaneous	476	-	-	-	-	476
Total expenditures	1,790,361	-	27,772	251,307	-	2,069,440
Excess (Deficiency) of revenue over expenditures	71,638	38,635	(9,952)	(208,872)	-	(108,551)
Other Financing Sources (Uses)						
391.03 Sale of municipal property	2,494	-	-	-	-	2,494
Total other financing sources	2,494	-	-	-	-	2,494
Net Change in Fund Balance	74,132	38,635	(9,952)	(208,872)	-	(106,057)
Fund Balance - Beginning	913,940	85,784	(10,709)	(45,694)	35,242	978,563
Fund Balance - Ending	\$ 988,072	\$ 124,419	\$ (20,661)	\$ (254,566)	\$ 35,242	\$ 872,506

See Notes to Financial Statements

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2020

	2020					Total Governmental Funds
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	
Revenues						
310 Taxes						
311 General property taxes	\$ 687,235	\$ -	\$ -	\$ -	\$ -	\$ 687,235
313 General sales and use taxes	577,767	26,751	-	-	-	604,518
319 Penalties and interest on delinquent taxes	1,308	-	-	-	-	1,308
Total taxes	1,266,310	26,751	-	-	-	1,293,061
320 Licenses and permits	23,096	-	-	-	-	23,096
330 Intergovernmental revenue						
331 Federal grants	280,005	-	-	-	-	280,005
334 State grants	33,795	-	-	-	-	33,795
335 State shared revenue						
335.01 Bank franchise tax	8,616	-	-	-	-	8,616
335.02 Motor vehicle commercial prorated	3,361	-	-	-	-	3,361
335.03 Liquor tax reversion	10,092	-	-	-	-	10,092
335.04 Motor vehicle licenses (5%)	22,813	-	-	-	-	22,813
335.08 Local government highway and bridge fund	33,019	-	-	-	-	33,019
338 County shared revenue						
338.01 County road tax (25%)	889	-	-	-	-	889
338.03 County wheel tax	1,057	-	-	-	-	1,057
Total intergovernmental revenue	393,647	-	-	-	-	393,647
340 Charges for goods and services						
341 General government	1,514	-	-	-	-	1,514
342 Public safety	1,276	-	-	-	-	1,276
343 Highways and streets	3,090	-	-	-	-	3,090
346 Culture and recreation	61,154	-	-	-	-	61,154
348 Cemetery	11,875	-	-	-	-	11,875
Total charges for good and services	78,909	-	-	-	-	78,909
350 Fines and forfeits						
352 Animal control fines	900	-	-	-	-	900
354 Library	4	-	-	-	-	4
Total fines and forfeits	904	-	-	-	-	904
360 Miscellaneous revenue						
361 Investment earnings	764	-	-	-	-	764
362 Rentals	-	-	19,695	-	-	19,695
363 Special assessments	-	-	-	55,561	-	55,561
367 Contributions and donations from private sources	32,215	-	-	-	50	32,265
368 Liquor operating agreement income	15,701	-	-	-	-	15,701
369 Other	-	-	-	-	-	-
Total miscellaneous revenue	48,680	-	19,695	55,561	50	123,986
Total revenues	1,811,546	26,751	19,695	55,561	50	1,913,603

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2020

	2020					
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Expenditures						
410 General government						
411 Legislative	24,159	-	-	-	-	24,159
412 Executive	8,349	-	-	-	-	8,349
413 Elections	688	-	-	-	-	688
414 Financial administration	320,176	-	-	-	-	320,176
419 Other	16,437	-	-	-	-	16,437
Total general government	<u>369,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,809</u>
420 Public safety						
421 Police	377,659	-	-	-	-	377,659
429 Other protection	447	-	-	-	-	447
Total public safety	<u>378,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,106</u>
430 Public works						
431 Highways and streets	237,520	-	-	-	-	237,520
432 Sanitation	-	-	-	-	-	-
435 Airport	-	-	29,567	-	-	29,567
437 Cemeteries	12,461	-	-	-	-	12,461
439 Transit	2,500	-	-	-	-	2,500
Total public works	<u>252,481</u>	<u>-</u>	<u>29,567</u>	<u>-</u>	<u>-</u>	<u>282,048</u>
440 Health and welfare						
441 Health	3,834	-	-	-	-	3,834
Total health and welfare	<u>3,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,834</u>
450 Culture and recreation						
451 Recreation	203,614	-	-	-	-	203,614
452 Parks	10,269	-	-	-	-	10,269
455 Libraries	4,563	-	-	-	-	4,563
456 Auditorium	4,511	-	-	-	-	4,511
Total culture and recreation	<u>222,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,957</u>
460 Conservation and development						
465 Economic development and assistance (industrial development)	13,302	-	-	-	-	13,302
Total conservation and development	<u>13,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,302</u>
470 Debt service	-	-	-	249,307	-	249,307
490 Miscellaneous						
492 Other expenditures	656	-	-	-	-	656
493 Liquor operating agreements	3	-	-	-	-	3
Total miscellaneous	<u>659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659</u>
Total expenditures	<u>1,241,148</u>	<u>-</u>	<u>29,567</u>	<u>249,307</u>	<u>-</u>	<u>1,520,022</u>
Excess (Deficiency) of revenue over expenditures	<u>570,398</u>	<u>26,751</u>	<u>(9,872)</u>	<u>(193,746)</u>	<u>50</u>	<u>393,581</u>
Other Financing Sources (Uses)						
391.03 Sale of municipal property	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	570,398	26,751	(9,872)	(193,746)	50	393,581
Fund Balance - Beginning	343,542	59,033	(837)	148,052	35,192	584,982
Fund Balance - Ending	<u>\$ 913,940</u>	<u>\$ 85,784</u>	<u>\$ (10,709)</u>	<u>\$ (45,694)</u>	<u>\$ 35,242</u>	<u>\$ 978,563</u>

See Notes to Financial Statements

City of Groton
Balance Sheet—Modified Cash Basis—Proprietary Funds
December 31, 2021

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	
Assets					
Current Assets					
Cash and cash equivalents	\$ 677,369	\$ 293,546	\$ 2,763,359	\$ 42,605	\$ 3,776,879
Total current assets	<u>677,369</u>	<u>293,546</u>	<u>2,763,359</u>	<u>42,605</u>	<u>3,776,879</u>
	<u>\$ 677,369</u>	<u>\$ 293,546</u>	<u>\$ 2,763,359</u>	<u>\$ 42,605</u>	<u>\$ 3,776,879</u>
Net Position					
253.20 Restricted net position for:					
Debt repayment	\$ 258,139	\$ -	\$ -	\$ -	\$ 258,139
253.90 Unrestricted	<u>419,230</u>	<u>293,546</u>	<u>2,763,359</u>	<u>42,605</u>	<u>3,518,740</u>
Total net position	<u>677,369</u>	<u>293,546</u>	<u>2,763,359</u>	<u>42,605</u>	<u>3,776,879</u>
	<u>\$ 677,369</u>	<u>\$ 293,546</u>	<u>\$ 2,763,359</u>	<u>\$ 42,605</u>	<u>\$ 3,776,879</u>

City of Groton

Statements of Revenues, Expenses and Changes in Fund Net Position—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2021 and 2020

	2021					2020				
	Enterprise Funds					Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals
Operating Revenue										
370 Charges for goods and services	\$ 494,937	\$ 208,111	\$ 1,751,323	\$ 112,339	\$ 2,566,710	\$ 456,159	\$ 209,074	\$ 1,770,482	\$ 115,572	\$ 2,551,287
Total operating revenue	494,937	208,111	1,751,323	112,339	2,566,710	456,159	209,074	1,770,482	115,572	2,551,287
Operating Expenses										
410 Personal services	316	72,792	200,073	5,516	278,697	19,342	61,814	165,906	4,973	252,035
420 Other current expense	51,577	46,873	148,171	2,275	248,896	17,360	47,709	58,903	2,447	126,419
426.2 Materials	214,162	-	868,045	97,266	1,179,473	197,557	-	934,621	96,351	1,228,529
429 Other - Refunded Deposits	5,805	-	-	-	5,805	7,895	-	-	-	7,895
430 Capital assets	844,794	49,425	-	-	894,219	843,915	-	-	-	843,915
Total operating expenses	1,116,654	169,090	1,216,289	105,057	2,607,090	1,086,069	109,523	1,159,430	103,771	2,458,793
Operating Income (Loss)	(621,717)	39,021	535,034	7,282	(40,380)	(629,910)	99,551	611,052	11,801	92,494
Nonoperating Revenue (Expense)										
361 Investment earnings	1,726	-	-	-	1,726	-	-	-	-	-
391.20 Long-term debt issued	770,588	-	-	-	770,588	728,874	-	-	-	728,874
Total nonoperating revenue (expense)	772,314	-	-	-	772,314	728,874	-	-	-	728,874
Income Before Loan Advances	150,597	39,021	535,034	7,282	731,934	98,964	99,551	611,052	11,801	821,368
Change in Net Position	150,597	39,021	535,034	7,282	731,934	98,964	99,551	611,052	11,801	821,368
Net Position - Beginning	526,772	254,525	2,228,325	35,323	3,044,945	427,808	154,974	1,617,273	23,522	2,223,577
Net Position - Ending	\$ 677,369	\$ 293,546	\$ 2,763,359	\$ 42,605	\$ 3,776,879	\$ 526,772	\$ 254,525	\$ 2,228,325	\$ 35,323	\$ 3,044,945

City of Groton
Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2021 and 2020

	2021					2020				
	Enterprise Funds					Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals
Cash Flows from (used for) Operating Activities										
Receipts from customers	\$ 489,132	\$ 208,111	\$ 1,751,323	\$ 112,339	\$ 2,560,905	\$ 448,264	\$ 209,074	\$ 1,770,482	\$ 115,572	\$ 2,543,392
Payments to suppliers	(265,739)	(46,873)	(1,016,216)	(99,541)	(1,428,369)	(214,917)	(47,709)	(993,524)	(98,798)	(1,354,948)
Payments to employees	(316)	(72,792)	(200,073)	(5,516)	(278,697)	(19,342)	(61,814)	(165,906)	(4,973)	(252,035)
Net Cash from Operating Activities	<u>223,077</u>	<u>88,446</u>	<u>535,034</u>	<u>7,282</u>	<u>853,839</u>	<u>214,005</u>	<u>99,551</u>	<u>611,052</u>	<u>11,801</u>	<u>936,409</u>
Cash Flows from (used for) Capital and Related Financing Activities										
Proceeds from capital debt	770,588	-	-	-	770,588	728,874	-	-	-	728,874
Purchase of capital assets	(844,794)	(49,425)	-	-	(894,219)	(843,915)	-	-	-	(843,915)
Net Cash used for Capital and Related Financing activity	<u>(74,206)</u>	<u>(49,425)</u>	<u>-</u>	<u>-</u>	<u>(123,631)</u>	<u>(115,041)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,041)</u>
Cash Flows from Investing Activities										
Interest earnings	1,726	-	-	-	1,726	-	-	-	-	-
Net Cash from Investing Activities	<u>1,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	150,597	39,021	535,034	7,282	731,934	98,964	99,551	611,052	11,801	821,368
Cash and Cash Equivalents - Beginning	<u>526,772</u>	<u>254,525</u>	<u>2,228,325</u>	<u>35,323</u>	<u>3,044,945</u>	<u>427,808</u>	<u>154,974</u>	<u>1,617,273</u>	<u>23,522</u>	<u>2,223,577</u>
Cash and Cash Equivalents - Ending	<u>\$ 677,369</u>	<u>\$ 293,546</u>	<u>\$ 2,763,359</u>	<u>\$ 42,605</u>	<u>\$ 3,776,879</u>	<u>\$ 526,772</u>	<u>\$ 254,525</u>	<u>\$ 2,228,325</u>	<u>\$ 35,323</u>	<u>\$ 3,044,945</u>
Cash and Cash Equivalents Consist of:										
Cash and cash equivalents	\$ 677,369	\$ 293,546	\$ 2,763,359	\$ 42,605	\$ 3,776,879	\$ 526,772	\$ 254,525	\$ 2,228,325	\$ 35,323	\$ 3,044,945
Restricted deposits	-	-	-	-	-	-	-	-	-	-
	<u>\$ 677,369</u>	<u>\$ 293,546</u>	<u>\$ 2,763,359</u>	<u>\$ 42,605</u>	<u>\$ 3,776,879</u>	<u>\$ 526,772</u>	<u>\$ 254,525</u>	<u>\$ 2,228,325</u>	<u>\$ 35,323</u>	<u>\$ 3,044,945</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities										
Operating income (loss)	\$ (621,717)	\$ 39,021	\$ 535,034	\$ 7,282	\$ (40,380)	\$ (629,910)	\$ 99,551	\$ 611,052	\$ 11,801	\$ 92,494
Adjustments to reconcile operating income (loss) to net cash from operating activities:										
Purchase of capital assets	844,794	49,425	-	-	894,219	843,915	-	-	-	843,915
Net Cash from Operating Activities	<u>\$ 223,077</u>	<u>\$ 88,446</u>	<u>\$ 535,034</u>	<u>\$ 7,282</u>	<u>\$ 853,839</u>	<u>\$ 214,005</u>	<u>\$ 99,551</u>	<u>\$ 611,052</u>	<u>\$ 11,801</u>	<u>\$ 936,409</u>

City of Groton
Statement of Fiduciary Net Position—Modified Cash Basis
December 31, 2021

	<u>Family Crisis Fund</u>
Private Purpose Trust:	
Assets:	
Cash	<u>\$ 10,192</u>
Total assets	<u><u>\$ 10,192</u></u>
Net Position	<u><u>\$ 10,192</u></u>

City of Groton
 Statements of Changes in Fiduciary Net Position—Modified Cash Basis
 December 31, 2021 and 2020

	<u>2021</u> Family Crisis Fund	<u>2020</u> Family Crisis Fund
Private Purpose Trust:		
Additions:		
Contributions and donations	\$ 3,802	\$ 1,868
Total additions	<u>3,802</u>	<u>1,868</u>
Deductions:		
Family needs	<u>2,537</u>	<u>217</u>
Total deductions	<u>2,537</u>	<u>217</u>
Change in net position	1,265	1,651
Net Position - Beginning	<u>8,927</u>	<u>7,276</u>
Net Position - Ending	<u><u>\$ 10,192</u></u>	<u><u>\$ 8,927</u></u>

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The reporting entity of the City of Groton (the City) consists of the primary government which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, the City of Groton.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City. The City has no component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the City as a whole. They include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for 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 City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly 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, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the City 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, liabilities, fund equity, revenues, 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 the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

The funds of the City of Groton are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

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

3rd Penny Sales Tax Fund – A fund allowed to account for the receipts from the 3rd penny sales tax imposed on liquor, lodging and dining sales (SDCL 10-52A-2). The 3rd penny can be spent on the promotion of the City. The 3rd Penny Sales Tax Fund is a major fund.

Airport Fund – A fund established to provide airport services to customers within the City of Groton (SDCL 50-7-2). However, the Airport Fund does not collect fees for airport services, only rents for the use of airport land. The Airport Fund is a major fund.

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

Debt Service Fund – To account for special assessments which may only be used for the payment of the special assessment debt principal, interest and related costs. The Debt Service Fund is a major fund.

Permanent Funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s activities. The City has the following permanent fund:

Cemetery Perpetual Care Fund – A fund established to account for money that can only be used for upkeep of the City’s cemetery (SDCL 9-32-18). The Cemetery Perpetual Care Fund is a major fund.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following enterprise funds:

Water Fund – A fund established to provide water to customers within the City of Groton. Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) The Water Fund is a major fund.

Sewer Fund – A fund established to provide sewer services to customers within the City of Groton. Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) The Sewer Fund is a major fund.

Electric Fund – A fund established to provide electrical service to customers within the City of Groton. (SDCL 9-39-1 and 9-39-26) The Electric Fund is a major fund.

Solid Waste Fund – A fund established to provide solid waste services to customers within the City of Groton. (SDCL 9-32-11 and 34A-6) The Solid Waste Fund is a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Private-purpose trust funds are used to account for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The City maintains one private-purpose trust fund for family crisis relief.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

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

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transactions or event occurred. Such report balances include investment in certificates of deposit (those with maturities more than 90 days (three months) from date of acquisition) acquired with cash accounts at cost and interfund advances and borrowings arising from the use of a pooled cash account.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expense or expenditures (such as accounts payable and expenses for goods and services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

D. Deposits and Investments

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares or similar investments in external investment pools are also considered to be cash equivalents.

E. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

- The City did have interfund receivables and payables which required elimination as of December 31, 2021, between the General Fund, the Airport Fund and the Debt Service Fund.

F. Capital Assets

Under the modified cash basis of accounting, capital assets are expensed when the cash transaction occurs.

G. Long-Term Liabilities

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the governmental funds and the government-wide financial statements.

H. Program Revenues

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

1. Charges for Services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided or are, otherwise, directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and 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 a particular program.

I. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's statement of revenues, expenses and changes in fund net position, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

J. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purposes. The Water Fund, Sewer Fund, Electric Fund, and Solid Waste Fund essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents.

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and is comprised of three components: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Because capital assets are not reported by the City under the modified cash basis of accounting, only the following components are displayed:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

L. Application of Net Position / Fund Balance

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

M. Fund Balance Classification Policies and Procedures

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint. The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.
- **Assigned Fund Balance** – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. An assigned fund balance is established by City Council through adoption of a resolution designating a fund balance is intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).
- **Unassigned Fund Balance** – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Note 2 - Deposits and Investments

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

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% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA," or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, the City maintains deposits in in-state financial institutions which were properly collateralized in accordance with SDCL 4-6A-3. The City also holds deposits with SDFIT, which are not FDIC insured.

The actual bank balances at December 31, 2021, are as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 368,256
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	2,901,117
	\$ 3,269,373
The City's carrying amount of deposits at December 31, 2021	\$ 3,104,734

Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 4,649,385
Add: Private Purpose Trust Fund (not included in government-wide statement of net position)	10,192
Less: SDFIT Account included in cash and cash equivalents	(1,554,843)
	\$ 3,104,734

Investments

In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of SDCL 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

As of December 31, 2021, the City did not hold any investments as defined by Governmental Accounting Standards Board. The City also does not have a formal investment policy that addresses custodial credit risk, interest rate risk or credit risk.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

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

Note 3 - Property Taxes

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

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

Note 4 - Significant Contingencies - Litigation

At December 31, 2021, the City was not involved in any litigation that would be material to the financial statements.

Note 5 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position:

Fund	Restricted By	Amount
3rd Penny Sales Tax Fund	State Law	\$ 124,419
Debt Service Fund	Contractual Agreement	-
Cemetary Perpetual Care Fund	State Law	35,242
Water Fund	Contractual Agreement	258,139

Note 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2021 and 2020, the City managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information, and to obtain lower costs for that coverage. The City's responsibility is to promptly report to, and cooperate with, the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a members' annual operating contribution, 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 SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, official's liability, automobile liability, law enforcement liability, and physical damage, property, and boiler and machinery. The City purchases airport bodily injury and property damage liability insurance and surety bond coverage from a commercial insurance carrier.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

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

Workers' Compensation

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to, and cooperate with, the fund to resolve any workers' compensation claims. The City pays an annual premium to provide workers' compensation coverage for its employees under a self-funded program, and the premiums are accrued based on the ultimate cost of the experience-to-date of the fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual, per incident.

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

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for employment benefits.

During the years ended December 31, 2021 and 2020, no claims for unemployment benefits were paid. At December 31, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next year.

Note 7 - Retirement Plan

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, hybrid defined-benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and Class B public safety member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The City’s share of contributions made to the SDRS for the years ended December 31, 2021, 2020, and 2019 were \$51,894, \$50,945, and \$48,283, respectively, equal to required contributions each year.

Pension Liability (Asset)

At June 30, 2021, SDRS is 105.52% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the SDRS for the City as of the measurement period ending June 30, 2021 and reported by the City as of December 31, 2021, are as follows:

Proportionate share of pension liability	\$ 5,172,988
Less proportionate share of net position restricted for pension benefits	<u>5,458,688</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (285,700)</u></u>

At December 31, 2021, the City’s proportionate share is a liability (asset) of \$(285,700) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City’s proportion was 0.03730600%, which is a decrease of 0.0001543% from its proportion measured as of June 30, 2020. The City’s proportionate share net pension liability (asset) is not reported in financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Investment rate of return	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	100.0%	

Discount Rate

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

Sensitivity of Liability (Asset) to Change in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 462,620	\$ (285,700)	\$ (893,161)

Pension Plan Fiduciary Net Position

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

Note 8 - Deficit Fund Balances

As of December 31, 2021, the Airport Fund had a deficit of \$20,661. The deficit was caused by overspending revenues received by the fund along with the fund not having a properly balanced budget. The deficit will be resolved by transfers of assets from other funds that have excess unrestricted funds available and adopting a balanced budget starting in 2023.

As of December 31, 2021, the Debt Service Fund had a deficit of \$254,566. The deficit was caused by the City not transferring money from other funds to cover the annual debt payments. The transfers were properly included in the budget, but the transfers were not completed during 2020 or 2021. Subsequent to year-end, the City noticed the error and has made the transfers from other funds to resolve this deficit in 2022.

Note 9 - Beneficial Interest

The Groton Community Fund was established as an endowment at the Lutheran Community Foundation in 1997. The City has a beneficial interest in the Foundation and receives annual distributions from the Foundation. Holdings of the Groton Community Fund were \$406,864 at December 31, 2021.

Note 10 - Related Party Activity

The City uses the services of business entities owned by members of the City Council. The total amounts paid were \$2,366 and \$0 in 2021 and 2020, respectively.

Note 11 - Subsequent Events

Subsequent to year-end, the City was approved for a Phase II Water Project to be funded with a state loan of \$1,326,000 and federal grants of \$931,294. The project was started in 2022 and will be completed in 2023. Also, subsequent to year-end, the City purchased a truck in the Electric Fund for approximately \$135,000 from cash on hand.



Supplementary Information
December 31, 2021 and 2020
City of Groton

City of Groton
Schedule of Changes in Notes and Bonds Payable
Years Ended December 31, 2021 and 2020

<u>Notes and Bonds Payable</u>	<u>Notes and Bonds Payable 1/1/2021</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Notes and Bonds Payable 12/31/2021</u>
Governmental Long-Term Debt				
231.02 Revenue Bonds				
RR Crossing Sewer CWSRF 8	\$ 29,739	\$ -	\$ 16,851	\$ 12,888
West Creek Sewer CWSRF 9	56,337	-	27,902	28,435
 Sales Tax Revenue Bonds, Series 2015A and 2015B	 <u>2,305,000</u>	 <u>-</u>	 <u>125,000</u>	 <u>2,180,000</u>
Total governmental long-term debt	<u>\$ 2,391,076</u>	<u>\$ -</u>	<u>\$ 169,753</u>	<u>\$ 2,221,323</u>
 Enterprise Long-Term Debt				
231.02 Revenue Bonds				
Watertower Drinking Water #5	\$ 728,874	\$ 770,588	\$ -	\$ 1,499,462
Total enterprise long-term debt	<u>\$ 728,874</u>	<u>\$ 770,588</u>	<u>\$ -</u>	<u>\$ 1,499,462</u>
 Notes and Bonds Payable				
<u>Notes and Bonds Payable</u>	<u>Notes and Bonds Payable 1/1/2020</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Notes and Bonds Payable 12/31/2020</u>
Governmental Long-Term Debt				
231.02 Revenue Bonds				
RR Crossing Sewer CWSRF 8	\$ 46,216	\$ -	\$ 16,477	\$ 29,739
West Creek Sewer CWSRF 9	80,725	-	24,388	56,337
 Sales Tax Revenue Bonds, Series 2015A and 2015B	 <u>2,425,000</u>	 <u>-</u>	 <u>120,000</u>	 <u>2,305,000</u>
Total governmental long-term debt	<u>\$ 2,551,941</u>	<u>\$ -</u>	<u>\$ 160,865</u>	<u>\$ 2,391,076</u>
 Enterprise Long-Term Debt				
231.02 Revenue bonds				
Watertower Drinking Water #5	\$ -	\$ 728,874	\$ -	\$ 728,874
Total enterprise long-term debt	<u>\$ -</u>	<u>\$ 728,874</u>	<u>\$ -</u>	<u>\$ 728,874</u>

City of Groton
Schedules of Net Pension Liability (Asset) and Contributions
December 31, 2021 and 2020

Pension Plan	Fiscal Year Ending	City's Percentage of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2021	0.0373%	\$ (285,700)	\$ 750,039	-38.1%	105.52%
SDRS	6/30/2020	0.0375%	(1,627)	731,672	-0.2%	100.04%
SDRS	6/30/2019	0.0396%	(4,201)	746,595	-0.6%	100.09%
SDRS	6/30/2018	0.0404%	(943)	754,418	-0.1%	100.02%
SDRS	6/30/2017	0.0424%	(3,848)	784,220	-0.5%	100.1%
SDRS	6/30/2016	0.0435%	147,026	746,944	19.7%	96.89%
SDRS	6/30/2015	0.0451%	(191,414)	745,526	-25.7%	104.1%
SDRS	6/30/2014	0.0456%	(328,834)	704,870	-46.7%	107.3%

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2021	\$ 51,894	\$ 51,894	\$ -	\$ 769,561	6.7%
SDRS	12/31/2020	50,945	50,945	-	757,123	6.7%
SDRS	12/31/2019	48,283	48,283	-	720,844	6.7%
SDRS	12/31/2018	50,674	50,674	-	755,559	6.7%
SDRS	12/31/2017	51,442	51,442	-	773,494	6.7%
SDRS	12/31/2016	49,717	49,717	-	748,916	6.6%
SDRS	12/31/2015	51,174	51,174	-	770,440	6.6%
SDRS	12/31/2014	48,708	48,708	-	732,653	6.6%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2021

	2021			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 683,500	\$ 683,500	\$ 721,060	\$ 37,560
313 General sales and use taxes	528,000	528,000	675,931	147,931
319 Penalties and interest on delinquent taxes	500	500	3,199	2,699
Total taxes	<u>1,212,000</u>	<u>1,212,000</u>	<u>1,400,190</u>	<u>188,190</u>
320 Licenses and permits	<u>14,500</u>	<u>14,500</u>	<u>25,437</u>	<u>10,937</u>
330 Intergovernmental revenue				
331 Federal grants	-	296,000	147,889	(148,111)
334 State grants	3,000	3,000	9,929	6,929
335 State shared revenue				
335.01 Bank franchise tax	8,500	8,500	19,329	10,829
335.02 Motor vehicle commercial prorated	1,300	1,300	3,665	2,365
335.03 Liquor tax reversion	9,000	9,000	10,534	1,534
335.04 Motor vehicle licenses (5%)	20,000	20,000	23,231	3,231
335.08 Local government highway and bridge fund	30,000	30,000	34,405	4,405
338 County shared revenue				
338.01 County road tax (25%)	889	889	889	-
338.03 County wheel tax	1,000	1,000	1,072	72
Total intergovernmental revenue	<u>73,689</u>	<u>369,689</u>	<u>250,943</u>	<u>(118,746)</u>
340 Charges for good and services				
341 General government	780	780	1,945	1,165
342 Public safety	800	800	1,004	204
343 Highways and streets	1,000	1,000	942	(58)
346 Culture and recreation	65,550	65,550	133,605	68,055
348 Cemetery	2,200	2,200	3,350	1,150
Total charges for goods and services	<u>70,330</u>	<u>70,330</u>	<u>140,846</u>	<u>70,516</u>
350 Fines and forfeits				
352 Animal control fines	300	300	878	578
Total fines and forfeits	<u>300</u>	<u>300</u>	<u>878</u>	<u>578</u>
360 Miscellaneous revenue				
361 Investment earnings	-	-	914	914
367 Contributions and donations from private sources	1,000	1,000	20,800	19,800
368 Liquor operating agreement income	15,400	15,400	16,513	1,113
369 Other	-	-	5,478	5,478
Total miscellaneous revenue	<u>16,400</u>	<u>16,400</u>	<u>43,705</u>	<u>27,305</u>
Total revenues	<u>1,387,219</u>	<u>1,683,219</u>	<u>1,861,999</u>	<u>178,780</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2021

	2021			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	27,180	27,180	22,560	4,620
411.5 Contingency	50,000	50,000	-	-
amount transferred	-	-	-	50,000
412 Executive	9,310	9,310	8,540	770
413 Elections	1,510	1,510	863	647
414 Financial administration	334,978	334,978	322,454	12,524
419 Other	30,350	280,350	237,084	43,266
Total general government	<u>453,328</u>	<u>703,328</u>	<u>591,501</u>	<u>111,827</u>
420 Public safety				
421 Police	464,840	464,840	445,162	19,678
429 Other protection	1,100	1,100	279	821
Total public safety	<u>465,940</u>	<u>465,940</u>	<u>445,441</u>	<u>20,499</u>
430 Public works				
431 Highways and streets	418,035	418,035	408,469	9,566
432 Sanitation	4,600	4,600	2,469	2,131
437 Cemeteries	23,580	23,580	16,744	6,836
439 Transit	2,500	2,500	2,500	-
Total public works	<u>448,715</u>	<u>448,715</u>	<u>430,182</u>	<u>18,533</u>
440 Health and Welfare				
441 Health	6,575	6,575	2,561	4,014
Total health and welfare	<u>6,575</u>	<u>6,575</u>	<u>2,561</u>	<u>4,014</u>
450 Culture and recreation				
451 Recreation	214,080	247,980	255,982	(8,002)
452 Parks	6,620	14,620	8,589	6,031
455 Libraries	6,000	35,000	33,080	1,920
456 Auditorium	4,000	8,000	8,568	(568)
Total culture and recreation	<u>230,700</u>	<u>305,600</u>	<u>306,219</u>	<u>(619)</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	14,470	14,470	13,981	489
Total conservation and development	<u>14,470</u>	<u>14,470</u>	<u>13,981</u>	<u>489</u>
490 Miscellaneous				
492 Other expenditures	-	-	438	(438)
493 Liquor operating agreements	50	50	38	12
Total miscellaneous	<u>50</u>	<u>50</u>	<u>476</u>	<u>(426)</u>
Total expenditures	<u>1,619,778</u>	<u>1,944,678</u>	<u>1,790,361</u>	<u>154,317</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2021

	2021			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Other Financing Sources (Uses)				
391.03 Sale of municipal property	-	-	2,494	2,494
Total other financing sources (uses)	-	-	2,494	2,494
Excess of Revenue over (under) Expenditures	(232,559)	(261,459)	74,132	335,591
Fund Balance - Beginning	913,940	913,940	913,940	-
Fund Balance - Ending	<u>\$ 681,381</u>	<u>\$ 652,481</u>	<u>\$ 988,072</u>	<u>\$ 335,591</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2020

	2020			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 1,233,800	\$ 1,233,800	\$ 687,235	\$ (546,565)
313 General sales and use taxes	-	-	577,767	577,767
319 Penalties and interest on delinquent taxes	500	500	1,308	808
Total taxes	<u>1,234,300</u>	<u>1,234,300</u>	<u>1,266,310</u>	<u>32,010</u>
320 Licenses and permits	<u>11,000</u>	<u>11,000</u>	<u>23,096</u>	<u>12,096</u>
330 Intergovernmental revenue				
331 Federal grants	-	-	280,005	280,005
334 State grants	2,700	2,700	33,795	31,095
335 State shared revenue				
335.01 Bank franchise tax	8,500	8,500	8,616	116
335.02 Motor vehicle commercial prorated	1,300	1,300	3,361	2,061
335.03 Liquor tax reversion	9,000	9,000	10,092	1,092
335.04 Motor vehicle licenses (5%)	20,000	20,000	22,813	2,813
335.08 Local government highway and bridge fund	22,000	22,000	33,019	11,019
338.02 County road and bridge tax (25%)	889	889	889	-
338.03 County wheel tax	1,000	1,000	1,057	57
Total intergovernmental revenue	<u>65,389</u>	<u>65,389</u>	<u>393,647</u>	<u>328,258</u>
340 Charges for good and services				
341 General government	-	-	1,514	1,514
342 Public safety	-	-	1,276	1,276
343 Highways and streets	-	-	3,090	3,090
346 Culture and recreation	82,000	94,079	61,154	(32,925)
348 Cemetery	-	-	11,875	11,875
Total charges for goods and services	<u>82,000</u>	<u>94,079</u>	<u>78,909</u>	<u>(15,170)</u>
350 Fines and forfeits				
352 Animal control fines	325	325	900	575
354 Library	-	-	4	4
Total fines and forfeits	<u>325</u>	<u>325</u>	<u>904</u>	<u>579</u>
360 Miscellaneous revenue				
361 Investment earnings	-	-	764	764
367 Contributions and donations from private sources	-	28,671	32,215	3,544
368 Liquor operating agreement income	15,950	15,950	15,701	(249)
369 Other	-	-	-	-
Total miscellaneous revenue	<u>15,950</u>	<u>44,621</u>	<u>48,680</u>	<u>4,059</u>
Total revenues	<u>1,408,964</u>	<u>1,449,714</u>	<u>1,811,546</u>	<u>361,832</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2020

	2020			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	27,180	27,180	24,159	3,021
411.5 Contingency amount transferred	50,000	50,000	-	-
412 Executive	9,370	9,370	8,349	1,021
413 Elections	1,510	1,510	688	822
414 Financial administration	353,794	371,794	320,176	51,618
419 Other	21,100	21,100	16,437	4,663
Total general government	<u>462,954</u>	<u>480,954</u>	<u>369,809</u>	<u>111,145</u>
420 Public safety				
421 Police	410,404	410,654	377,659	32,995
429 Other protection	1,100	1,100	447	653
Total public safety	<u>411,504</u>	<u>411,754</u>	<u>378,106</u>	<u>33,648</u>
430 Public works				
431 Highways and streets	270,760	270,760	237,520	33,240
432 Sanitation	4,600	4,600	-	4,600
437 Cemeteries	15,080	15,080	12,461	2,619
439 Transit	2,500	2,500	2,500	-
Total public works	<u>292,940</u>	<u>292,940</u>	<u>252,481</u>	<u>40,459</u>
440 Health and welfare				
441 Health	6,450	6,450	3,834	2,616
Total health and welfare	<u>6,450</u>	<u>6,450</u>	<u>3,834</u>	<u>2,616</u>
450 Culture and recreation				
451 Recreation	164,890	224,580	203,614	20,966
452 Parks	13,120	17,620	10,269	7,351
455 Libraries	6,700	6,700	4,563	2,137
456 Auditorium	4,700	4,700	4,511	189
Total culture and recreation	<u>189,410</u>	<u>253,600</u>	<u>222,957</u>	<u>30,643</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	14,470	14,470	13,302	1,168
Total conservation and development	<u>14,470</u>	<u>14,470</u>	<u>13,302</u>	<u>1,168</u>
490 Miscellaneous				
492 Other expenditures	-	-	656	(656)
493 Liquor operating agreements	50	50	3	47
Total miscellaneous	<u>50</u>	<u>50</u>	<u>659</u>	<u>(609)</u>
Total expenditures	<u>1,377,778</u>	<u>1,460,218</u>	<u>1,241,148</u>	<u>219,070</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2020

	2020			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Other Financing Sources (Uses)				
511 Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of Revenue under Expenditures	31,186	(10,504)	570,398	580,902
Fund Balance - Beginning	343,542	343,542	343,542	-
Fund Balance - Ending	<u>\$ 374,728</u>	<u>\$ 333,038</u>	<u>\$ 913,940</u>	<u>\$ 580,902</u>

City of Groton
 Budgetary Comparison Schedules—3rd Penny Sales Tax Fund
 Year Ended December 31, 2021

	2021			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 26,900	\$ 26,900	\$ 38,635	\$ 11,735
Total taxes	26,900	26,900	38,635	11,735
Total revenue	26,900	26,900	38,635	11,735
Expenditures				
450 Culture and recreation				
451 Recreation	23,690	23,690	-	23,690
Total expenditures	23,690	23,690	-	23,690
Excess of Revenue over Expenditures	3,210	3,210	38,635	35,425
Fund Balance - Beginning	85,784	85,784	85,784	-
Fund Balance - Ending	\$ 88,994	\$ 88,994	\$ 124,419	\$ 35,425

City of Groton
 Budgetary Comparison Schedules—3rd Penny Sales Tax Fund
 Year Ended December 31, 2020

	2020			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 23,000	\$ 23,000	\$ 26,751	\$ 3,751
Total taxes	23,000	23,000	26,751	3,751
Total revenue	23,000	23,000	26,751	3,751
Expenditures				
450 Culture and recreation				
451 Recreation	23,000	23,000	-	23,000
Total expenditures	23,000	23,000	-	23,000
Excess of Revenue over Expenditures	-	-	26,751	26,751
Fund Balance - Beginning	59,033	59,033	59,033	-
Fund Balance - Ending	\$ 59,033	\$ 59,033	\$ 85,784	\$ 26,751

City of Groton
 Budgetary Comparison Schedules—Airport Fund
 Year Ended December 31, 2021

	2021			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
360 Miscellaneous revenue				
362 Rentals	\$ 18,000	\$ 18,000	\$ 17,820	\$ (180)
Total miscellaneous revenue	18,000	18,000	17,820	(180)
Total revenue	18,000	18,000	17,820	(180)
Expenditures				
430 Public works				
435 Airport	32,500	40,500	27,772	12,728
Total expenditures	32,500	40,500	27,772	12,728
Excess of Revenue over (under) Expenditures	(14,500)	(22,500)	(9,952)	12,548
Fund Balance - Beginning	(10,709)	(10,709)	(10,709)	-
Fund Balance - Ending	\$ (25,209)	\$ (33,209)	\$ (20,661)	\$ 12,548

City of Groton
 Budgetary Comparison Schedules– Airport Fund
 Year Ended December 31, 2020

	2020			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
360 Miscellaneous revenue				
362 Rentals	\$ 20,000	\$ 20,000	\$ 19,695	\$ (305)
Total miscellaneous revenue	20,000	20,000	19,695	(305)
Total revenue	20,000	20,000	19,695	(305)
Expenditures				
430 Public works				
435 Airport	32,420	32,420	29,567	2,853
Total expenditures	32,420	32,420	29,567	2,853
Excess of Revenue under Expenditures	(12,420)	(12,420)	(9,872)	2,548
Fund Balance - Beginning	(837)	(837)	(837)	-
Fund Balance - Ending	<u>\$ (13,257)</u>	<u>\$ (13,257)</u>	<u>\$ (10,709)</u>	<u>\$ 2,548</u>

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular City Council meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in Number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the City Council.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at December 31, 2021 or 2020.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with a modified cash basis of accounting.

Note 2 - Pension Schedules

Changes of Benefit Provision

The June 30, 2021, Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020, Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

Changes of Benefit Provision

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Changes of Assumptions

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021, Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in-depth periodically, with the next experience analysis anticipated before the June 30, 2022, Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022, Actuarial Valuation.

Changes of Assumptions

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



**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***

To the City Council
City of Groton
Groton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Groton, as of and for the year ended December 31, 2021, and for each of the years in the two year period then ended, which collectively comprise of the City’s basic financial statements and have issued our report thereon dated July 19, 2023. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-001 and 2021-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Groton's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota
July 19, 2023

Finding 2021-001 - Financial Statements and Footnotes are Prepared by the Auditor

Material Weakness

Criteria: The City's internal control structure should provide for the preparation of the financial statements and footnotes being audited in accordance with the modified cash basis of accounting.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures. During the course of our engagement, we were requested to draft the financial statements and accompanying notes to those financial statements.

Cause: The City does not have adequate staff trained to prepare financial statements and the related footnotes .

Effect: This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit to ensure that the modified cash basis of accounting has been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Finding 2021-002 – Lack of Timely Reconciliations Resulting in Material Audit Adjustments

Material Weakness

Criteria: The City's internal control structure should provide for timely reconciliation of accounts in accordance with the modified cash basis of accounting.

Condition: The City did not provide timely reconciliations for cash and equity accounts resulting in material audit adjustments.

Cause: The City did not have staff adequately trained to prepare timely reconciliations.

Effect: This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: It is our recommendation that City employees are trained on how to complete the reconciliations in a timely manner and a review process is in place to ensure they are completed correctly.

Views of Responsible Officials: Management agrees with the finding and made corrective action starting in 2022.