



Financial Statements
December 31, 2024 and 2023
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 December 31, 2024, 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, 2024, and the respective changes in modified cash basis financial position, and, where applicable, cash flows, thereof for the two year period then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audits 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 May 30, 2025, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
May 30, 2025

City of Groton
Statement of Net Position—Modified Cash Basis
December 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,059,685	\$ 4,064,065	\$ 5,123,750
Restricted assets			
Cash and cash equivalents	251,940	431,529	683,469
	<u>\$ 1,311,625</u>	<u>\$ 4,495,594</u>	<u>\$ 5,807,219</u>
Net Position			
Restricted for			
Airport	\$ 17,628	\$ -	\$ 17,628
Debt service	-	431,529	431,529
Cemetery perpetual care - nonexpendable	35,242	-	35,242
Promotion	219,063	-	219,063
Unrestricted	1,039,692	4,064,065	5,103,757
	<u>\$ 1,311,625</u>	<u>\$ 4,495,594</u>	<u>\$ 5,807,219</u>

City of Groton
Statement of Activities—Modified Cash Basis
Year Ended December 31, 2024

Functions/Programs	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	\$ 482,506	\$ 52,492	\$ -	\$ -	\$ (430,014)	\$ -	\$ (430,014)
Public safety	490,216	404	-	12,075	(477,737)	-	(477,737)
Public works	592,866	11,283	65,246	14,401	(501,936)	-	(501,936)
Health and welfare	6,097	-	-	-	(6,097)	-	(6,097)
Culture and recreation	396,450	147,004	-	-	(249,446)	-	(249,446)
Conservation and development	17,510	-	-	-	(17,510)	-	(17,510)
Debt service	205,660	-	-	10,249	(195,411)	-	(195,411)
Total governmental activities	2,191,305	211,183	65,246	36,725	(1,878,151)	-	(1,878,151)
Business-type activities							
Water	464,258	602,774	-	6,193	-	144,709	144,709
Sewer	323,736	255,062	-	-	-	(68,674)	(68,674)
Electric	1,486,939	1,758,138	-	-	-	271,199	271,199
Solid Waste	130,487	140,310	-	-	-	9,823	9,823
Total business-type activities	2,405,420	2,756,284	-	6,193	-	357,057	357,057
Total primary government	<u>\$ 4,596,725</u>	<u>\$ 2,967,467</u>	<u>\$ 65,246</u>	<u>\$ 42,918</u>	<u>(1,878,151)</u>	<u>357,057</u>	<u>(1,521,094)</u>
General Revenues							
Taxes							
Property taxes					772,468	-	772,468
Sales taxes					796,134	-	796,134
Penalties and interest on delinquent taxes					668	-	668
State shared revenues					42,038	-	42,038
Unrestricted investment earnings					81,901	-	81,901
Miscellaneous revenue					31,496	-	31,496
Transfers					250,000	(250,000)	-
Total general revenues					<u>1,974,705</u>	<u>(250,000)</u>	<u>1,724,705</u>
Change in Net Position					96,554	107,057	203,611
Net Position - Beginning					<u>1,215,071</u>	<u>4,388,537</u>	<u>5,603,608</u>
Net Position - Ending					<u>\$ 1,311,625</u>	<u>\$ 4,495,594</u>	<u>\$ 5,807,219</u>

See Notes to Financial Statements

City of Groton
Statement of Activities—Modified Cash Basis
Year Ended December 31, 2023

Functions/Programs	2023						
	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	\$ 486,310	\$ 40,094	\$ -	\$ -	\$ (446,216)	\$ -	\$ (446,216)
Public safety	478,434	1,362	-	20,598	(456,474)	-	(456,474)
Public works	623,102	12,761	65,514	44,182	(500,645)	-	(500,645)
Health and welfare	1,651	-	-	-	(1,651)	-	(1,651)
Culture and recreation	327,445	122,844	-	-	(204,601)	-	(204,601)
Conservation and development	13,427	-	-	-	(13,427)	-	(13,427)
Debt service	205,210	-	-	23,388	(181,822)	-	(181,822)
Total governmental activities	<u>2,135,579</u>	<u>177,061</u>	<u>65,514</u>	<u>88,168</u>	<u>(1,804,836)</u>	<u>-</u>	<u>(1,804,836)</u>
Business-type activities							
Water	565,604	612,387	-	168,083	-	214,866	214,866
Sewer	262,184	208,487	-	-	-	(53,697)	(53,697)
Electric	1,555,563	1,791,255	-	-	-	235,692	235,692
Solid Waste	132,785	146,256	-	-	-	13,471	13,471
Total business-type activities	<u>2,516,136</u>	<u>2,758,385</u>	<u>-</u>	<u>168,083</u>	<u>-</u>	<u>410,332</u>	<u>410,332</u>
Total primary government	<u>\$ 4,651,715</u>	<u>\$ 2,935,446</u>	<u>\$ 65,514</u>	<u>\$ 256,251</u>	<u>(1,804,836)</u>	<u>410,332</u>	<u>(1,394,504)</u>
General Revenues							
Taxes							
Property taxes					748,138	-	748,138
Sales taxes					774,956	-	774,956
Penalties and interest on delinquent taxes					797	-	797
State shared revenues					42,477	-	42,477
Unrestricted investment earnings					75,991	-	75,991
Miscellaneous revenue					28,164	-	28,164
Transfers					300,000	(300,000)	-
Total general revenues					<u>1,970,523</u>	<u>(300,000)</u>	<u>1,670,523</u>
Change in Net Position					165,687	110,332	276,019
Net Position - Beginning					<u>1,049,384</u>	<u>4,278,205</u>	<u>5,327,589</u>
Net Position - Ending					<u>\$ 1,215,071</u>	<u>\$ 4,388,537</u>	<u>\$ 5,603,608</u>

See Notes to Financial Statements

City of Groton
Balance Sheet—Modified Cash Basis—Governmental Funds
December 31, 2024

	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,039,692	\$ -	\$ 17,628	\$ -	\$ 2,365	\$ 1,059,685
Restricted cash and cash equivalents	-	219,063	-	-	32,877	251,940
Due from Funds	109,849	-	-	-	-	109,849
	<u>\$ 1,149,541</u>	<u>\$ 219,063</u>	<u>\$ 17,628</u>	<u>\$ -</u>	<u>\$ 35,242</u>	<u>\$ 1,421,474</u>
Liabilities						
Due to General Fund	\$ -	\$ -	\$ -	\$ 109,849	\$ -	\$ 109,849
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,849</u>	<u>-</u>	<u>109,849</u>
Fund Balances						
263 Nonspendable						
Cemetery perpetual care	-	-	-	-	35,242	35,242
264 Restricted for						
Other	-	-	17,628	-	-	17,628
Promotion	-	219,063	-	-	-	219,063
267 Unassigned	1,149,541	-	-	(109,849)	-	1,039,692
Total fund balance	<u>1,149,541</u>	<u>219,063</u>	<u>17,628</u>	<u>(109,849)</u>	<u>35,242</u>	<u>1,311,625</u>
	<u>\$ 1,149,541</u>	<u>\$ 219,063</u>	<u>\$ 17,628</u>	<u>\$ -</u>	<u>\$ 35,242</u>	<u>\$ 1,421,474</u>

City of Groton

Statement of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2024

	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Revenues						
310 Taxes						
311 General property taxes	\$ 772,128	\$ -	\$ -	\$ -	\$ -	\$ 772,128
313 General sales and use taxes	764,463	31,671	-	-	-	796,134
318 Tax deed revenue	340	-	-	-	-	340
319 Penalties and interest on delinquent taxes	668	-	-	-	-	668
Total taxes	1,537,599	31,671	-	-	-	1,569,270
320 Licenses and permits	26,652	-	-	-	-	26,652
330 Intergovernmental revenue						
334 State grants	14,401	-	-	-	-	14,401
335 State shared revenue						
335.01 Bank franchise tax	32,600	-	-	-	-	32,600
335.02 Motor vehicle commercial prorated	3,661	-	-	-	-	3,661
335.03 Liquor tax reversion	9,438	-	-	-	-	9,438
335.04 Motor vehicle licenses (5%)	23,830	-	-	-	-	23,830
335.08 Local government highway and bridge fund	35,788	-	-	-	-	35,788
338 County shared revenue						
338.01 County road tax (25%)	889	-	-	-	-	889
338.03 County wheel tax	1,078	-	-	-	-	1,078
Total intergovernmental revenue	121,685	-	-	-	-	121,685
340 Charges for goods and services						
341 General government	1,889	-	-	-	-	1,889
342 Public safety	337	-	-	-	-	337
343 Highways and streets	5,533	-	-	-	-	5,533
346 Culture and recreation	147,004	-	-	-	-	147,004
348 Cemetery	5,750	-	-	-	-	5,750
Total charges for good and services	160,513	-	-	-	-	160,513
350 Fines and forfeits						
352 Animal control fines	67	-	-	-	-	67
354 Library	-	-	-	-	-	-
Total fines and forfeits	67	-	-	-	-	67
360 Miscellaneous revenue						
361 Investment earnings	81,901	-	-	-	-	81,901
362 Rentals	-	-	23,951	-	-	23,951
363 Special assessments	-	-	-	10,249	-	10,249
367 Contributions and donations from private sources	12,075	-	-	-	-	12,075
368 Liquor operating agreement income	20,306	-	-	-	-	20,306
369 Other	3,993	-	7,197	-	-	11,190
Total miscellaneous revenue	118,275	-	31,148	10,249	-	159,672
Total revenues	1,964,791	31,671	31,148	10,249	-	2,037,859

City of Groton

Statement of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2024

	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	23,924	-	-	-	-	23,924
412 Executive	8,679	-	-	-	-	8,679
413 Elections	-	-	-	-	-	-
414 Financial administration	408,664	-	-	-	-	408,664
419 Other	41,239	-	-	-	-	41,239
Total general government	482,506	-	-	-	-	482,506
420 Public safety						
421 Police	475,828	-	-	-	-	475,828
423 Protective inspection	10,075	-	-	-	-	10,075
429 Other protection	4,313	-	-	-	-	4,313
Total public safety	490,216	-	-	-	-	490,216
430 Public works						
431 Highways and streets	556,493	-	-	-	-	556,493
432 Sanitation	1,782	-	-	-	-	1,782
435 Airport	-	-	21,666	-	-	21,666
437 Cemeteries	12,925	-	-	-	-	12,925
Total public works	571,200	-	21,666	-	-	592,866
440 Health and welfare						
441 Health	6,097	-	-	-	-	6,097
Total health and welfare	6,097	-	-	-	-	6,097
450 Culture and recreation						
451 Recreation	377,410	-	-	-	-	377,410
452 Parks	6,696	-	-	-	-	6,696
455 Libraries	11,097	-	-	-	-	11,097
456 Auditorium	1,247	-	-	-	-	1,247
Total culture and recreation	396,450	-	-	-	-	396,450
460 Conservation and development						
465 Economic development and assistance (industrial development)	17,510	-	-	-	-	17,510
Total conservation and development	17,510	-	-	-	-	17,510
470 Debt service	-	-	-	205,660	-	205,660
Total expenditures	1,963,979	-	21,666	205,660	-	2,191,305
Excess (Deficiency) of Revenue Over Expenditures	812	31,671	9,482	(195,411)	-	(153,446)
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	-	250,000	-	250,000
391.03 Sale of municipal property	-	-	-	-	-	-
Total other financing sources	-	-	-	250,000	-	250,000
Net Change in Fund Balance	812	31,671	9,482	54,589	-	96,554
Fund Balance - Beginning	1,148,729	187,392	8,146	(164,438)	35,242	1,215,071
Fund Balance - Ending	\$ 1,149,541	\$ 219,063	\$ 17,628	\$ (109,849)	\$ 35,242	\$ 1,311,625

Statement of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2023

	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Revenues						
310 Taxes						
311 General property taxes	\$ 748,138	\$ -	\$ -	\$ -	\$ -	\$ 748,138
313 General sales and use taxes	742,731	32,225	-	-	-	774,956
318 Tax deed revenue	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	797	-	-	-	-	797
Total taxes	1,491,666	32,225	-	-	-	1,523,891
320 Licenses and permits	20,473	-	-	-	-	20,473
330 Intergovernmental revenue						
334 State grants	44,182	-	-	-	-	44,182
335 State shared revenue						
335.01 Bank franchise tax	32,991	-	-	-	-	32,991
335.02 Motor vehicle commercial prorated	3,707	-	-	-	-	3,707
335.03 Liquor tax reversion	9,486	-	-	-	-	9,486
335.04 Motor vehicle licenses (5%)	24,168	-	-	-	-	24,168
335.08 Local government highway and bridge fund	35,660	-	-	-	-	35,660
338 County shared revenue						
338.01 County road tax (25%)	889	-	-	-	-	889
338.03 County wheel tax	1,090	-	-	-	-	1,090
Total intergovernmental revenue	152,173	-	-	-	-	152,173
340 Charges for goods and services						
341 General government	1,802	-	-	-	-	1,802
342 Public safety	921	-	-	-	-	921
343 Highways and streets	9,411	-	-	-	-	9,411
346 Culture and recreation	122,844	-	-	-	-	122,844
348 Cemetery	3,350	-	-	-	-	3,350
Total charges for good and services	138,328	-	-	-	-	138,328
350 Fines and forfeits						
352 Animal control fines	438	-	-	-	-	438
354 Library	3	-	-	-	-	3
Total fines and forfeits	441	-	-	-	-	441
360 Miscellaneous revenue						
361 Investment earnings	75,991	-	-	-	-	75,991
362 Rentals	-	-	17,819	-	-	17,819
363 Special assessments	-	-	-	23,388	-	23,388
367 Contributions and donations from private sources	20,598	-	-	-	-	20,598
368 Liquor operating agreement income	15,707	-	-	-	-	15,707
369 Other	6,608	-	-	-	-	6,608
Total miscellaneous revenue	118,904	-	17,819	23,388	-	160,111
Total revenues	1,921,985	32,225	17,819	23,388	-	1,995,417

City of Groton

Statement of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2023

	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	23,694	-	-	-	-	23,694
412 Executive	8,627	-	-	-	-	8,627
413 Elections	18	-	-	-	-	18
414 Financial administration	393,756	-	-	-	-	393,756
419 Other	60,215	-	-	-	-	60,215
Total general government	486,310	-	-	-	-	486,310
420 Public safety						
421 Police	477,913	-	-	-	-	477,913
423 Protective inspection	-	-	-	-	-	-
429 Other protection	521	-	-	-	-	521
Total public safety	478,434	-	-	-	-	478,434
430 Public works						
431 Highways and streets	576,544	-	-	-	-	576,544
432 Sanitation	1,267	-	-	-	-	1,267
435 Airport	-	-	32,018	-	-	32,018
437 Cemeteries	13,273	-	-	-	-	13,273
Total public works	591,084	-	32,018	-	-	623,102
440 Health and welfare						
441 Health	1,651	-	-	-	-	1,651
Total health and welfare	1,651	-	-	-	-	1,651
450 Culture and recreation						
451 Recreation	302,805	-	-	-	-	302,805
452 Parks	9,357	-	-	-	-	9,357
455 Libraries	13,003	-	-	-	-	13,003
456 Auditorium	2,280	-	-	-	-	2,280
Total culture and recreation	327,445	-	-	-	-	327,445
460 Conservation and development						
465 Economic development and assistance (industrial development)	13,427	-	-	-	-	13,427
Total conservation and development	13,427	-	-	-	-	13,427
470 Debt service	-	-	-	205,210	-	205,210
Total expenditures	1,898,351	-	32,018	205,210	-	2,135,579
Excess (Deficiency) of Revenue Over Expenditures	23,634	32,225	(14,199)	(181,822)	-	(140,162)
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	62,500	237,500	-	300,000
391.03 Sale of municipal property	5,849	-	-	-	-	5,849
Total other financing sources (uses)	5,849	-	62,500	237,500	-	305,849
Net Change in Fund Balance	29,483	32,225	48,301	55,678	-	165,687
Fund Balance - Beginning	1,119,246	155,167	(40,155)	(220,116)	35,242	1,049,384
Fund Balance - Ending	\$ 1,148,729	\$ 187,392	\$ 8,146	\$ (164,438)	\$ 35,242	\$ 1,215,071

City of Groton
Balance Sheet—Modified Cash Basis—Proprietary Funds
December 31, 2024

	Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals
Assets					
Current Assets					
Cash and cash equivalents	\$ 786,433	\$ 200,930	\$ 2,992,209	\$ 84,493	\$ 4,064,065
Total current assets	786,433	200,930	2,992,209	84,493	4,064,065
Noncurrent Assets					
107.1 Restricted deposits for Debt repayment	431,529	-	-	-	431,529
Total noncurrent assets	431,529	-	-	-	431,529
	<u>\$ 1,217,962</u>	<u>\$ 200,930</u>	<u>\$ 2,992,209</u>	<u>\$ 84,493</u>	<u>\$ 4,495,594</u>
Net Position					
253.20 Restricted net position for Debt repayment	\$ 431,529	\$ -	\$ -	\$ -	\$ 431,529
253.90 Unrestricted	786,433	200,930	2,992,209	84,493	4,064,065
Total net position	1,217,962	200,930	2,992,209	84,493	4,495,594
	<u>\$ 1,217,962</u>	<u>\$ 200,930</u>	<u>\$ 2,992,209</u>	<u>\$ 84,493</u>	<u>\$ 4,495,594</u>

City of Groton

Statements of Revenues, Expenses and Changes in Fund Net Position—Modified Cash Basis—Proprietary Funds Years Ended December 31, 2024 and 2023

	2024					2023				
	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										
369 Miscellaneous	\$ 1,047	\$ -	\$ -	200	\$ 1,247	\$ 300	\$ -	\$ -	\$ -	\$ 300
370 Charges for goods and services	601,727	255,062	1,758,138	140,110	2,755,037	612,087	208,487	1,791,255	146,256	2,758,085
Total operating revenue	602,774	255,062	1,758,138	140,310	2,756,284	612,387	208,487	1,791,255	146,256	2,758,385
Operating Expenses										
410 Personal services	22,982	92,722	282,882	6,197	404,783	18,519	86,284	264,521	8,800	378,124
420 Other current expense	33,301	88,870	244,935	1,872	368,978	21,675	28,596	229,679	2,269	282,219
426.2 Materials	277,773	-	873,945	122,418	1,274,136	268,948	-	1,026,428	121,716	1,417,092
429 Other - refunded deposits	8,905	-	-	-	8,905	7,752	-	-	-	7,752
430 Capital assets	6,194	142,144	85,177	-	233,515	163,202	147,304	34,935	-	345,441
Total operating expenses	349,155	323,736	1,486,939	130,487	2,290,317	480,096	262,184	1,555,563	132,785	2,430,628
Operating Income (Loss)	253,619	(68,674)	271,199	9,823	465,967	132,291	(53,697)	235,692	13,471	327,757
Nonoperating Revenue (Expense)										
391.20 Long-term debt issued	6,193	-	-	-	6,193	168,083	-	-	-	168,083
440 Debt service principal	(46,533)	-	-	-	(46,533)	(38,115)	-	-	-	(38,115)
442 Interest expense	(68,570)	-	-	-	(68,570)	(47,393)	-	-	-	(47,393)
Total nonoperating revenue (expense)	(108,910)	-	-	-	(108,910)	82,575	-	-	-	82,575
Income (Loss) Before Transfers	144,709	(68,674)	271,199	9,823	357,057	214,866	(53,697)	235,692	13,471	410,332
511 Transfers out	-	-	(250,000)	-	(250,000)	-	-	(300,000)	-	(300,000)
Change in Net Position	144,709	(68,674)	21,199	9,823	107,057	214,866	(53,697)	(64,308)	13,471	110,332
Net Position - Beginning	1,073,253	269,604	2,971,010	74,670	4,388,537	858,387	323,301	3,035,318	61,199	4,278,205
Net Position - Ending	\$ 1,217,962	\$ 200,930	\$ 2,992,209	\$ 84,493	\$ 4,495,594	\$ 1,073,253	\$ 269,604	\$ 2,971,010	\$ 74,670	\$ 4,388,537

City of Groton
Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2024 and 2023

	2024					2023				
	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	\$ 593,869	\$ 255,062	\$ 1,758,138	\$ 140,310	\$ 2,747,379	\$ 604,635	\$ 208,487	\$ 1,791,255	\$ 146,256	\$ 2,750,633
Payments to suppliers	(311,074)	(88,870)	(1,118,880)	(124,290)	(1,643,114)	(290,623)	(28,596)	(1,256,107)	(123,985)	(1,699,311)
Payments to employees	(22,982)	(92,722)	(282,882)	(6,197)	(404,783)	(18,519)	(86,284)	(264,521)	(8,800)	(378,124)
Net Cash from Operating Activities	259,813	73,470	356,376	9,823	699,482	295,493	93,607	270,627	13,471	673,198
Cash Flows used for Noncapital and Related financing activity										
Transfers out	-	-	(250,000)	-	(250,000)	-	-	(300,000)	-	(300,000)
Net Cash used for Noncapital and Related financing activities	-	-	(250,000)	-	(250,000)	-	-	(300,000)	-	(300,000)
Cash Flows from (used for) Capital and Related Financing Activities										
Proceeds from capital debt	6,193	-	-	-	6,193	168,083	-	-	-	168,083
Purchase of capital assets	(6,194)	(142,144)	(85,177)	-	(233,515)	(163,202)	(147,304)	(34,935)	-	(345,441)
Principal paid on capital debt	(46,533)	-	-	-	(46,533)	(38,115)	-	-	-	(38,115)
Interest paid on capital debt	(68,570)	-	-	-	(68,570)	(47,393)	-	-	-	(47,393)
Net Cash used for Capital and Related Financing activity	(115,104)	(142,144)	(85,177)	-	(342,425)	(80,627)	(147,304)	(34,935)	-	(262,866)
Net Change in Cash and Cash Equivalents	144,709	(68,674)	21,199	9,823	107,057	214,866	(53,697)	(64,308)	13,471	110,332
Cash and Cash Equivalents - Beginning	1,073,253	269,604	2,971,010	74,670	4,388,537	858,387	323,301	3,035,318	61,199	4,278,205
Cash and Cash Equivalents - Ending	\$ 1,217,962	\$ 200,930	\$ 2,992,209	\$ 84,493	\$ 4,495,594	\$ 1,073,253	\$ 269,604	\$ 2,971,010	\$ 74,670	\$ 4,388,537
Cash and Cash Equivalents Consist of										
Cash and cash equivalents	\$ 786,433	\$ 200,930	\$ 2,992,209	\$ 84,493	\$ 4,064,065	\$ 680,466	\$ 269,604	\$ 2,971,010	\$ 74,670	\$ 3,995,750
Restricted deposits	431,529	-	-	-	431,529	392,787	-	-	-	392,787
	\$ 1,217,962	\$ 200,930	\$ 2,992,209	\$ 84,493	\$ 4,495,594	\$ 1,073,253	\$ 269,604	\$ 2,971,010	\$ 74,670	\$ 4,388,537
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities										
Operating income (loss)	\$ 253,619	\$ (68,674)	\$ 271,199	\$ 9,823	\$ 465,967	\$ 132,291	\$ (53,697)	\$ 235,692	\$ 13,471	\$ 327,757
Adjustments to reconcile operating income (loss) to net cash from operating activities										
Purchase of capital assets	6,194	142,144	85,177	-	233,515	163,202	147,304	34,935	-	345,441
Net Cash from Operating Activities	\$ 259,813	\$ 73,470	\$ 356,376	\$ 9,823	\$ 699,482	\$ 295,493	\$ 93,607	\$ 270,627	\$ 13,471	\$ 673,198

See Notes to Financial Statements

City of Groton
Statement of Fiduciary Net Position—Modified Cash Basis
December 31, 2024

	Family Crisis Fund
Private Purpose Trust	
Assets	
Cash	<u>\$ 9,153</u>
Total assets	<u><u>\$ 9,153</u></u>
Net Position	<u><u>\$ 9,153</u></u>

City of Groton
Statements of Changes in Fiduciary Net Position—Modified Cash Basis
Years Ended December 31, 2024 and 2023

	2024 Family Crisis Fund	2023 Family Crisis Fund
Private Purpose Trust		
Additions		
Contributions and donations	\$ 2,314	\$ 1,784
Total additions	2,314	1,784
Deductions		
Family needs	6,196	2,776
Total deductions	6,196	2,776
Change in Net Position	(3,882)	(992)
Net Position - Beginning	13,035	14,027
Net Position - Ending	\$ 9,153	\$ 13,035

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 statements of activities present 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 statements 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, 2024, between the General 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 statements 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 statements 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 statements 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, 2024, 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, 2024, are as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 369,674
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	<u>3,748,171</u>
	<u>\$ 4,117,845</u>

The City's carrying amount of deposits at December 31, 2024	<u>\$ 4,085,141</u>
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Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 5,807,219
Add: Private Purpose Trust Fund (not included in government-wide statement of net position)	9,153
Less: SDFIT account included in cash and cash equivalents	<u>(1,731,231)</u>
	<u>\$ 4,085,141</u>

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, 2024, 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 General Fund.

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, 2024, 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	\$ 219,063
Cemetery Perpetual Care Fund	State Law	35,242
Water Fund	Contractual Agreement	431,529
Airport	State Law	17,628

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, 2024 and 2023, 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, 2024 and 2023, no claims for unemployment benefits were paid. At December 31, 2024, 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 provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/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 enacted 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

Contributions

Per SDCL 3-12, 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, 2024, 2023, and 2022, were \$69,799, \$63,541, and \$57,631, respectively, equal to required contributions each year.

Pension Liability (Asset)

At June 30, 2024, SDRS is 100.00% 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, 2024 and disclosed by the City as of December 31, 2024, are as follows:

Proportionate share of pension liability	\$ 5,865,264
Less proportionate share of net position restricted for pension benefits	<u>5,866,855</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,591)</u></u>

At December 31, 2024, the City's proportionate share is a liability (asset) of \$(1,591) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was 0.039316%, which is an increase of 0.000189% from its proportion measured as of June 30, 2023. 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, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Investment rate of return	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.71%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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, 2024, (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	56.3%	3.6%
Fixed Income	22.8%	2.3%
Real Estate	7.0%	2.8%
Cash	12.0%	4.0%
	1.9%	0.8%
	<u>100.0%</u>	

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)	\$ 808,715	\$ (1,591)	\$ (664,675)

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, 2024, the Debt Service Fund had a deficit of \$109,849. The deficit was caused by the City previously not transferring money from other funds to cover the annual debt payments. Subsequent to year-end, the City noticed the error and has made the transfers from other funds to resolve this deficit in 2025.

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 approximately \$226,000 at December 31, 2024.

Note 10 - Transfers

In 2024 and 2023, the City transferred \$250,000 and \$237,500, respectively, from the Electric Fund to the Debt Service Fund to provide for funding to make the required debt payment. In 2023, the City transferred \$62,500 from the Electric Fund to the Airport Fund to supplement operations and cover a previous deficit in the fund.

Note 11 - Violations of Finance Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. During 2024 and 2023, the City overspent the following departments. The City will plan to exercise oversight of the annual budget by continuing to monitor the budget to actual expenditures and, as needed, to pass supplemental budgets. During 2024 and 2023, the City did have revenue in excess of expenditures to cover the overspending.

2024	<u>Department</u>	<u>Overspending</u>
	Public safety	\$ (7,616)
	Public works	(6,450)
	Culture and recreation	(15,386)
2023		
	General government	\$ (3,542)
	Public safety	(6,834)



Supplementary Information
December 31, 2024 and 2023
City of Groton

City of Groton
Schedule of Changes in Notes and Bonds Payable
Years Ended December 31, 2024 and 2023

<u>Notes and Bonds Payable</u>	<u>Notes and Bonds Payable 1/1/2024</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Notes and Bonds Payable 12/31/2024</u>
Governmental Long-Term Debt				
Sales Tax Revenue Bonds, Series 2015A and 2015B	\$ 1,925,000	\$ -	\$ 135,000	\$ 1,790,000
Total governmental long-term debt	<u>\$ 1,925,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,790,000</u>
Enterprise Long-Term Debt				
231.02 Revenue Bonds				
Watertower Drinking Water #5	\$ 1,699,189	\$ -	\$ 39,382	\$ 1,659,807
Watertower Drinking Water #6	590,233	6,193	7,151	589,275
Total enterprise long-term debt	<u>\$ 2,289,422</u>	<u>\$ 6,193</u>	<u>\$ 46,533</u>	<u>\$ 2,249,082</u>
<u>Notes and Bonds Payable</u>	<u>Notes and Bonds Payable 1/1/2023</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Notes and Bonds Payable 12/31/2023</u>
Governmental Long-Term Debt				
Sales Tax Revenue Bonds, Series 2015A and 2015B	\$ 2,055,000	\$ -	\$ 130,000	\$ 1,925,000
Total governmental long-term debt	<u>\$ 2,055,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 1,925,000</u>
Enterprise Long-Term Debt				
231.02 Revenue bonds				
Watertower Drinking Water #5	\$ 1,737,304	\$ -	\$ 38,115	\$ 1,699,189
Watertower Drinking Water #6	422,150	168,083	-	590,233
Total enterprise long-term debt	<u>\$ 2,159,454</u>	<u>\$ 168,083</u>	<u>\$ 38,115</u>	<u>\$ 2,289,422</u>

City of Groton
Schedules of Net Pension Liability (Asset) and Contributions
December 31, 2024 and 2023

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	6/30/2024	0.3932%	\$ (1,591)	\$ 991,626	-0.2%	100.00%
SDRS	6/30/2023	0.3913%	(3,819)	908,967	-0.4%	100.10%
SDRS	6/30/2022	0.0386%	(3,649)	821,465	-0.4%	100.10%
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%

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	12/31/2024	\$ 69,799	\$ 69,799	\$ -	\$ 1,049,688	6.6%
SDRS	12/31/2023	63,541	63,541	-	950,427	6.7%
SDRS	12/31/2022	57,631	57,631	-	859,915	6.7%
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%

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
310 Taxes				
311 General property taxes	\$ 753,000	\$ 753,000	\$ 772,128	\$ 19,128
313 General sales and use taxes	650,000	650,000	764,463	114,463
318 Tax deed revenue	-	-	340	340
319 Penalties and interest on delinquent taxes	500	500	668	168
Total taxes	1,403,500	1,403,500	1,537,599	134,099
320 Licenses and permits	17,400	17,400	26,652	9,252
330 Intergovernmental revenue				
334 State grants	3,000	3,000	14,401	11,401
335 State shared revenue				
335.01 Bank franchise tax	28,000	28,000	32,600	4,600
335.02 Motor vehicle commercial prorated	2,000	2,000	3,661	1,661
335.03 Liquor tax reversion	9,000	9,000	9,438	438
335.04 Motor vehicle licenses (5%)	20,000	20,000	23,830	3,830
335.08 Local government highway and bridge fund	35,000	35,000	35,788	788
338 County shared revenue				
338.01 County road tax (25%)	889	889	889	-
338.03 County wheel tax	900	900	1,078	178
Total intergovernmental revenue	98,789	98,789	121,685	22,896
340 Charges for goods and services				
341 General government	1,280	1,280	1,889	609
342 Public safety	800	800	337	(463)
343 Highways and streets	1,000	1,000	5,533	4,533
346 Culture and recreation	102,500	102,500	147,004	44,504
348 Cemetery	1,700	1,700	5,750	4,050
Total charges for goods and services	107,280	107,280	160,513	53,233
350 Fines and forfeits				
352 Animal control fines	300	300	67	(233)
Total fines and forfeits	300	300	67	(233)
360 Miscellaneous revenue				
361 Investment earnings	-	-	81,901	81,901
367 Contributions and donations from private sources	1,000	1,000	12,075	11,075
368 Liquor operating agreement income	14,900	14,900	20,306	5,406
369 Other	35,000	35,000	3,993	(31,007)
Total miscellaneous revenue	50,900	50,900	118,275	67,375
Total revenues	1,678,169	1,678,169	1,964,791	286,622

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	27,300	24,800	23,924	876
411.5 Contingency	50,000	50,000	-	-
amount transferred	-	(13,146)	-	36,854
412 Executive	9,310	9,310	8,679	631
413 Elections	1,500	-	-	-
414 Financial administration	419,435	411,935	408,664	3,271
419 Other	33,250	41,607	41,239	368
Total general government	540,795	524,506	482,506	42,000
420 Public safety				
421 Police	452,100	466,100	475,828	(9,728)
423 Protective inspection	-	12,000	10,075	1,925
429 Other protection	4,500	4,500	4,313	187
Total public safety	456,600	482,600	490,216	(7,616)
430 Public works				
431 Highways and streets	542,450	545,150	556,493	(11,343)
432 Sanitation	3,000	3,000	1,782	1,218
437 Cemeteries	14,100	14,100	12,925	1,175
439 Transit	2,500	2,500	-	2,500
Total public works	562,050	564,750	571,200	(6,450)
440 Health and Welfare				
441 Health	6,525	6,525	6,097	428
Total health and welfare	6,525	6,525	6,097	428
450 Culture and recreation				
451 Recreation	325,355	355,444	377,410	(21,966)
452 Parks	10,370	10,370	6,696	3,674
455 Libraries	11,250	11,250	11,097	153
456 Auditorium	4,000	4,000	1,247	2,753
Total culture and recreation	350,975	381,064	396,450	(15,386)
460 Conservation and development				
465 Economic development and assistance (industrial development)	17,870	17,870	17,510	360
Total conservation and development	17,870	17,870	17,510	360
490 Miscellaneous				
493 Liquor operating agreements	50	50	-	50
Total miscellaneous	50	50	-	50
Total expenditures	1,934,865	1,977,365	1,963,979	13,386

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Excess of Revenue over (under) Expenditures	(256,696)	(299,196)	812	300,008
Fund Balance - Beginning	1,148,729	1,148,729	1,148,729	-
Fund Balance - Ending	<u>\$ 892,033</u>	<u>\$ 849,533</u>	<u>\$ 1,149,541</u>	<u>\$ 300,008</u>

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2023

	2023			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 725,000	\$ 725,000	\$ 748,138	\$ 23,138
313 General sales and use taxes	625,000	625,000	742,731	117,731
319 Penalties and interest on delinquent taxes	1,000	1,000	797	(203)
Total taxes	1,351,000	1,351,000	1,491,666	140,666
320 Licenses and permits	19,400	19,400	20,473	1,073
330 Intergovernmental revenue				
334 State grants	21,889	21,889	44,182	22,293
335 State shared revenue				
335.01 Bank franchise tax	18,000	18,000	32,991	14,991
335.02 Motor vehicle commercial prorated	2,000	2,000	3,707	1,707
335.03 Liquor tax reversion	10,000	10,000	9,486	(514)
335.04 Motor vehicle licenses (5%)	20,000	20,000	24,168	4,168
335.08 Local government highway and bridge fund	33,000	33,000	35,660	2,660
338.02 County road and bridge tax (25%)	-	-	889	889
338.03 County wheel tax	900	900	1,090	190
Total intergovernmental revenue	105,789	105,789	152,173	46,384
340 Charges for good and services				
341 General government	-	-	1,802	1,802
342 Public safety	-	-	921	921
343 Highways and streets	-	-	9,411	9,411
346 Culture and recreation	99,746	111,825	122,844	11,019
348 Cemetery	-	-	3,350	3,350
Total charges for goods and services	99,746	111,825	138,328	26,503
350 Fines and forfeits				
352 Animal control fines	400	400	438	38
354 Library	-	-	3	3
Total fines and forfeits	400	400	441	41
360 Miscellaneous revenue				
361 Investment earnings	-	-	75,991	75,991
367 Contributions and donations from private sources	-	28,671	20,598	(8,073)
368 Liquor operating agreement income	15,000	15,000	15,707	707
369 Other	268,500	268,500	6,608	(261,892)
Total miscellaneous revenue	283,500	312,171	118,904	(193,267)
Total revenues	1,859,835	1,900,585	1,921,985	21,400

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2023

	2023			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	27,380	24,380	23,694	686
411.5 Contingency	50,000	50,000	-	-
amount transferred	-	(50,000)	-	-
412 Executive	9,310	9,310	8,627	683
413 Elections	1,710	18	18	-
414 Financial administration	359,010	384,010	393,756	(9,746)
419 Other	44,250	65,050	60,215	4,835
Total general government	491,660	482,768	486,310	(3,542)
420 Public safety				
421 Police	421,100	471,100	477,913	(6,813)
429 Other protection	500	500	521	(21)
Total public safety	421,600	471,600	478,434	(6,834)
430 Public works				
431 Highways and streets	505,750	576,797	576,544	253
432 Sanitation	3,500	3,500	1,267	2,233
437 Cemeteries	13,200	13,200	13,273	(73)
439 Transit	2,500	2,500	-	2,500
Total public works	524,950	595,997	591,084	4,913
440 Health and welfare				
441 Health	5,125	5,125	1,651	3,474
Total health and welfare	5,125	5,125	1,651	3,474
450 Culture and recreation				
451 Recreation	269,410	308,210	302,805	5,405
452 Parks	10,370	10,370	9,357	1,013
455 Libraries	10,400	15,900	13,003	2,897
456 Auditorium	4,500	3,500	2,280	1,220
Total culture and recreation	294,680	337,980	327,445	10,535
460 Conservation and development				
465 Economic development and assistance (industrial development)	14,070	14,070	13,427	643
Total conservation and development	14,070	14,070	13,427	643
490 Miscellaneous				
493 Liquor operating agreements	50	50	-	50
Total miscellaneous	50	50	-	50
Total expenditures	1,752,135	1,907,590	1,898,351	9,239

City of Groton
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2023

	2023			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Other Financing Sources (Uses)				
391.03 Sale of municipal property	-	-	5,849	5,849
Total other financing sources (uses)	-	-	5,849	5,849
Excess of Revenue Under Expenditures	107,700	(7,005)	29,483	36,488
Fund Balance - Beginning	1,119,246	1,119,246	1,119,246	-
Fund Balance - Ending	\$ 1,226,946	\$ 1,112,241	\$ 1,148,729	\$ 36,488

City of Groton
 Budgetary Comparison Schedule—3rd Penny Sales Tax Fund
 Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 29,000	\$ 29,000	\$ 31,671	\$ 2,671
Total taxes	29,000	29,000	31,671	2,671
Total revenue	29,000	29,000	31,671	2,671
Excess of Revenue over Expenditures	29,000	29,000	31,671	2,671
Fund Balance - Beginning	187,392	187,392	187,392	-
Fund Balance - Ending	<u>\$ 216,392</u>	<u>\$ 216,392</u>	<u>\$ 219,063</u>	<u>\$ 2,671</u>

City of Groton
 Budgetary Comparison Schedule—3rd Penny Sales Tax Fund
 Year Ended December 31, 2023

	2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 28,000	\$ 28,000	\$ 32,225	\$ 4,225
Total taxes	28,000	28,000	32,225	4,225
Total revenue	28,000	28,000	32,225	4,225
Excess of Revenue over Expenditures	28,000	28,000	32,225	4,225
Fund Balance - Beginning	155,167	155,167	155,167	-
Fund Balance - Ending	<u>\$ 183,167</u>	<u>\$ 183,167</u>	<u>\$ 187,392</u>	<u>\$ 4,225</u>

City of Groton
Budgetary Comparison Schedule—Airport Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
360 Miscellaneous revenue				
362 Rentals	\$ 23,000	\$ 23,000	\$ 23,951	\$ 951
369 Other	-	-	7,197	7,197
Total miscellaneous revenue	23,000	23,000	31,148	8,148
Total revenue	23,000	23,000	31,148	8,148
Expenditures				
430 Public works				
435 Airport	35,950	35,950	21,666	14,284
Total expenditures	35,950	35,950	21,666	14,284
Excess of Revenue over (under) Expenditures	(12,950)	(12,950)	9,482	22,432
Fund Balance - Beginning	8,146	8,146	8,146	-
Fund Balance - Ending	<u>\$ (4,804)</u>	<u>\$ (4,804)</u>	<u>\$ 17,628</u>	<u>\$ 22,432</u>

City of Groton
Budgetary Comparison Schedule— Airport Fund
Year Ended December 31, 2023

	2023			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
360 Miscellaneous revenue				
362 Rentals	\$ 17,000	\$ 17,000	\$ 17,819	\$ 819
Total miscellaneous revenue	17,000	17,000	17,819	819
Total revenue	17,000	17,000	17,819	819
Expenditures				
430 Public works				
435 Airport	45,300	45,300	32,018	13,282
Total expenditures	45,300	45,300	32,018	13,282
Other Financing Sources (Uses)				
391.01 Transfers in	-	-	62,500	(62,500)
Total other financing sources (uses)	-	-	62,500	(62,500)
Excess of Revenue under Expenditures	(28,300)	(28,300)	48,301	14,101
Fund Balance - Beginning	(40,155)	(40,155)	(40,155)	-
Fund Balance - Ending	\$ (68,455)	\$ (68,455)	\$ 8,146	\$ 14,101

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, 2024 or 2023.

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 Prior Valuation

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

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

Changes of Benefit Provision

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

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% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

Actuarial Method Changes

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Groton, as of December 31, 2024, 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 and have issued our report thereon dated May 30, 2025. The statements were prepared on the modified cash basis of accounting, a 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 and 2023-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 and 2023-001 to be a significant deficiency.

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 City'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 City'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.



Aberdeen, South Dakota
May 30, 2025

Finding 2024-001 and 2023-001 – Lack of Reconciliations

Significant Deficiency

Criteria: The City of Groton's (the City) internal control structure should provide for timely reconciliation of accounts in accordance with the modified cash basis of accounting and also provide for review of the reconciliation by someone after the reconciliation is prepared.

Condition: The City did not fully reconcile the reconciled bank balance to the adjusted trial balance at year's end and did not have the reconciliation reviewed after completed.

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

Finding 2024-002 and 2023-002 – Preparation of Financial Statements and Footnotes including Significant Audit Journal Entries

Material Weakness

Criteria: The City of Groton's (the City) internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: The City has requested the external auditors to assist in the preparation of the financial statements and related footnotes for the years ended December 31, 2024 and 2023. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments, some of which were material, that were not identified by the City's current internal controls.

Cause: The limited size of the City's staff and resources causes the inability to prepare the financial statements and footnotes and cause the need for auditors to, at times, propose journal entries.

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. It may also affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present 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.

Views of Responsible Officials: Management agrees with the finding.