

# CITY OF SUMMERSET, SOUTH DAKOTA

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Financial Statements

**December 31, 2025**

**City of Summerset, South Dakota**  
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**December 31, 2025**

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

Honorable Mayor and City Commissioners  
City of Summerset, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 Summerset, South Dakota (the City), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2026.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Management's Response as item 2025-001 that we considered to be a material weakness.

## **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Management's Response as item 2025-001.

## **City of Summerset, South Dakota'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 and Management's Response. 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD  
Rapid City, South Dakota  
June 4, 2026

**City of Summerset, South Dakota**  
**Schedule of Findings and Management's Response**  
**December 31, 2025**

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Material Weakness  
Noncompliance  
Budgetary Overexpenditure

2025-001 *Condition:* The City overspent budgeted appropriations in the Debt Service Fund #2 and the Third Penny Fund.

*Criteria:* SDCL 9-21-9 states that the City shall not spend, for any purpose or department, in excess of the total amount appropriated for such purpose or department.

*Cause:* The City overlooked the budgetary shortfall in its comparison of budgeted to actual expenses. The governing body did not adopt a supplemental appropriation ordinance.

*Effect:* The City did not comply with South Dakota state statutes.

*Auditor's Recommendation:* We recommend the City review state statutes regarding budgeting and budget amendments. The budget should be monitored monthly and amended as necessary. Budget-to-actual reports reviewed should contain all expenditures by department to ensure departments are within budget requirements.

*Management's Response:* The City recognizes the error and will continue to review all budgeting and budget amendments monthly.

*Responsible Parties:* Finance Officer and Deputy Finance Officer

*Time Frame:* Ongoing

## Independent Auditor's Report

Honorable Mayor and City Commissioners  
City of Summerset, 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 Summerset, South Dakota (the City) as of and for the year ended December 31, 2025 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 accompanying financial statements 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, 2025 and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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*

The City's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *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 GAS 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 controls. 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 GAS, 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 budgetary comparison schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, the list of City Officials, and the Notes to 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 auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Modified Cash Basis - General Fund, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, and the Notes to the Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The list of City Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2026 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, 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 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD  
Rapid City, South Dakota  
June 4, 2026



## BASIC FINANCIAL STATEMENTS

**City of Summerset, South Dakota**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2025**

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|                           | Governmental<br>Activities | Business-type<br>Activities | Total                      |
|---------------------------|----------------------------|-----------------------------|----------------------------|
| <b>ASSETS</b>             |                            |                             |                            |
| Cash and Cash Equivalents | \$ 2,644,266               | \$ 570,035                  | \$ 3,214,301               |
| Restricted Assets:        |                            |                             |                            |
| Cash and Cash Equivalents | <u>1,714,554</u>           | <u>-</u>                    | <u>1,714,554</u>           |
| <b>TOTAL ASSETS</b>       | <u><u>\$ 4,358,820</u></u> | <u><u>\$ 570,035</u></u>    | <u><u>\$ 4,928,855</u></u> |
| <b>NET POSITION</b>       |                            |                             |                            |
| Restricted for:           |                            |                             |                            |
| Debt Service              | \$ 2,627,370               | \$ -                        | \$ 2,627,370               |
| Customer Deposits         | -                          | 42,860                      | 42,860                     |
| Unrestricted              | <u>1,731,450</u>           | <u>527,175</u>              | <u>2,258,625</u>           |
| <b>TOTAL NET POSITION</b> | <u><u>\$ 4,358,820</u></u> | <u><u>\$ 570,035</u></u>    | <u><u>\$ 4,928,855</u></u> |

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2025**

| Functions/Programs              | Disbursements       | Program Receipts        |                                          |                                        | Net (Disbursements) Receipts and<br>Changes in Net Position |                             |                    |
|---------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|-------------------------------------------------------------|-----------------------------|--------------------|
|                                 |                     | Charges for<br>Services | Operating Grants<br>and<br>Contributions | Capital Grants<br>and<br>Contributions | Primary Government                                          |                             |                    |
|                                 |                     |                         |                                          |                                        | Governmental<br>Activities                                  | Business-type<br>Activities | Total              |
| <b>PRIMARY GOVERNMENT</b>       |                     |                         |                                          |                                        |                                                             |                             |                    |
| Governmental Activities:        |                     |                         |                                          |                                        |                                                             |                             |                    |
| General Government              | \$ 585,218          | \$ 88,512               | \$ -                                     | \$ 22,581                              | \$ (474,125)                                                | \$ -                        | \$ (474,125)       |
| Public Safety                   | 1,023,220           | 195                     | 20,687                                   | -                                      | (1,002,338)                                                 | -                           | (1,002,338)        |
| Public Works                    | 726,498             | 210,163                 | -                                        | -                                      | (516,335)                                                   | -                           | (516,335)          |
| Health and Welfare              | 940                 | -                       | -                                        | -                                      | (940)                                                       | -                           | (940)              |
| Culture and Recreation          | 37,003              | -                       | -                                        | -                                      | (37,003)                                                    | -                           | (37,003)           |
| Conservation and Development    | 94,847              | -                       | -                                        | -                                      | (94,847)                                                    | -                           | (94,847)           |
| Debt Service*                   | 782,915             | -                       | -                                        | -                                      | (782,915)                                                   | -                           | (782,915)          |
| Total Governmental Activities   | 3,250,641           | 298,870                 | 20,687                                   | 22,581                                 | (2,908,503)                                                 | -                           | (2,908,503)        |
| Business-type Activities:       |                     |                         |                                          |                                        |                                                             |                             |                    |
| Sewer                           | 1,050,514           | 810,349                 | -                                        | -                                      | -                                                           | (240,165)                   | (240,165)          |
| <b>TOTAL PRIMARY GOVERNMENT</b> | <b>\$ 4,301,155</b> | <b>\$ 1,109,219</b>     | <b>\$ 20,687</b>                         | <b>\$ 22,581</b>                       | <b>(2,908,503)</b>                                          | <b>(240,165)</b>            | <b>(3,148,668)</b> |

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Statement of Activities - Modified Cash Basis (Continued)**  
**For the Year Ended December 31, 2025**

|  |                                                             | Net (Disbursements) Receipts and<br>Changes in Net Position |                             |                     |
|--|-------------------------------------------------------------|-------------------------------------------------------------|-----------------------------|---------------------|
|  |                                                             | Primary Government                                          |                             |                     |
|  |                                                             | Governmental<br>Activities                                  | Business-type<br>Activities | Total               |
|  | <b>GENERAL RECEIPTS</b>                                     |                                                             |                             |                     |
|  | Taxes:                                                      |                                                             |                             |                     |
|  | Property Taxes                                              | 2,007,134                                                   | -                           | 2,007,134           |
|  | Sales Tax                                                   | 1,200,904                                                   | -                           | 1,200,904           |
|  | State Shared Receipts                                       | 55,802                                                      | -                           | 55,802              |
|  | County Shared Receipts                                      | 5,953                                                       | -                           | 5,953               |
|  | Unrestricted Investment Earnings                            | 119,000                                                     | 13,726                      | 132,726             |
|  | Miscellaneous Receipts                                      | 57,173                                                      | 435                         | 57,608              |
|  | Total General Receipts                                      | 3,445,966                                                   | 14,161                      | 3,460,127           |
|  | <b>CHANGE IN NET POSITION</b>                               | 537,463                                                     | (226,004)                   | 311,459             |
|  | <b>NET POSITION - BEGINNING, AS<br/>PREVIOUSLY REPORTED</b> | 3,971,357                                                   | 796,039                     | 4,767,396           |
|  | <b>RESTATEMENT FOR ERROR CORRECTION</b>                     | (150,000)                                                   | -                           | (150,000)           |
|  | <b>NET POSITION - BEGINNING, AS<br/>RESTATED</b>            | 3,821,357                                                   | 796,039                     | 4,617,396           |
|  | <b>NET POSITION - ENDING</b>                                | <u>\$ 4,358,820</u>                                         | <u>\$ 570,035</u>           | <u>\$ 4,928,855</u> |

\*The City of Summerset does not have interest and principal expenses directly related to the functions presented above. This amount includes indirect interest and principal expenses on general long-term debt.

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2025**

|                                         | General<br>Fund            | Tax Increment<br>District #1 -<br>Debt Service<br>Fund | Tax Increment<br>District #2 -<br>Debt Service<br>Fund | Non-major<br>Third Penny<br>Fund | Total<br>Governmental<br>Funds |
|-----------------------------------------|----------------------------|--------------------------------------------------------|--------------------------------------------------------|----------------------------------|--------------------------------|
| <b>ASSETS</b>                           |                            |                                                        |                                                        |                                  |                                |
| Cash and Cash Equivalents               | \$ 1,608,287               | \$ 701,120                                             | \$ 211,696                                             | \$ 123,163                       | \$ 2,644,266                   |
| Restricted Cash and<br>Cash Equivalents | <u>-</u>                   | <u>1,714,554</u>                                       | <u>-</u>                                               | <u>-</u>                         | <u>1,714,554</u>               |
| <b>TOTAL ASSETS</b>                     | <u><u>\$ 1,608,287</u></u> | <u><u>\$ 2,415,674</u></u>                             | <u><u>\$ 211,696</u></u>                               | <u><u>\$ 123,163</u></u>         | <u><u>\$ 4,358,820</u></u>     |
| <b>FUND BALANCES</b>                    |                            |                                                        |                                                        |                                  |                                |
| Restricted:                             |                            |                                                        |                                                        |                                  |                                |
| For Debt Service                        | \$ -                       | \$ 2,415,674                                           | \$ 211,696                                             | \$ -                             | \$ 2,627,370                   |
| Committed:                              |                            |                                                        |                                                        |                                  |                                |
| For Economic Development                | -                          | -                                                      | -                                                      | 123,163                          | 123,163                        |
| Assigned:                               |                            |                                                        |                                                        |                                  |                                |
| For Capital Outlay                      | 500,000                    | -                                                      | -                                                      | -                                | 500,000                        |
| Unassigned                              | <u>1,108,287</u>           | <u>-</u>                                               | <u>-</u>                                               | <u>-</u>                         | <u>1,108,287</u>               |
| <b>TOTAL FUND BALANCES</b>              | <u><u>\$ 1,608,287</u></u> | <u><u>\$ 2,415,674</u></u>                             | <u><u>\$ 211,696</u></u>                               | <u><u>\$ 123,163</u></u>         | <u><u>\$ 4,358,820</u></u>     |

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Statement of Receipts, Disbursements, and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2025**

|                                               | General<br>Fund  | Tax Increment<br>District #1 -<br>Debt Service<br>Fund | Tax Increment<br>District #2 -<br>Debt Service<br>Fund | Non-major<br>Third Penny<br>Fund | Total<br>Governmental<br>Funds |
|-----------------------------------------------|------------------|--------------------------------------------------------|--------------------------------------------------------|----------------------------------|--------------------------------|
| <b>RECEIPTS</b>                               |                  |                                                        |                                                        |                                  |                                |
| Taxes:                                        |                  |                                                        |                                                        |                                  |                                |
| General Property Taxes                        | \$ 793,132       | \$ 810,796                                             | \$ 402,646                                             | \$ -                             | \$ 2,006,574                   |
| General Sales and Use Taxes                   | 1,137,287        | -                                                      | -                                                      | 63,617                           | 1,200,904                      |
| Penalties and Interest on<br>Delinquent Taxes | 560              | -                                                      | -                                                      | -                                | 560                            |
| Licenses and Permits                          | 88,512           | -                                                      | -                                                      | -                                | 88,512                         |
| Intergovernmental Receipts:                   |                  |                                                        |                                                        |                                  |                                |
| Federal Grants                                | 8,941            | -                                                      | -                                                      | -                                | 8,941                          |
| State Grants                                  | 13,640           | -                                                      | -                                                      | -                                | 13,640                         |
| State Shared Receipts:                        |                  |                                                        |                                                        |                                  |                                |
| Bank Franchise Tax                            | 3,396            | -                                                      | -                                                      | -                                | 3,396                          |
| Liquor Tax Reversion                          | 19,849           | -                                                      | -                                                      | -                                | 19,849                         |
| Motor Vehicle Licenses                        | 32,557           | -                                                      | -                                                      | -                                | 32,557                         |
| County Shared Receipts:                       |                  |                                                        |                                                        |                                  |                                |
| County Road Tax                               | 1,310            | -                                                      | -                                                      | -                                | 1,310                          |
| Other                                         | 4,643            | -                                                      | -                                                      | -                                | 4,643                          |
| Charges for Goods and Services:               |                  |                                                        |                                                        |                                  |                                |
| Solid Waste Collections                       | 210,163          | -                                                      | -                                                      | -                                | 210,163                        |
| Fines and Forfeits:                           |                  |                                                        |                                                        |                                  |                                |
| Court Fines and Costs                         | 195              | -                                                      | -                                                      | -                                | 195                            |
| Miscellaneous Receipts:                       |                  |                                                        |                                                        |                                  |                                |
| Contributions                                 | -                | -                                                      | -                                                      | 20,687                           | 20,687                         |
| Investment Earnings                           | 42,149           | 76,851                                                 | -                                                      | -                                | 119,000                        |
| Other                                         | 57,173           | -                                                      | -                                                      | -                                | 57,173                         |
| <b>Total Receipts</b>                         | <b>2,413,507</b> | <b>887,647</b>                                         | <b>402,646</b>                                         | <b>84,304</b>                    | <b>3,788,104</b>               |

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Statement of Receipts, Disbursements, and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Funds (Continued)**  
**For the Year Ended December 31, 2025**

|                                                             | General<br>Fund     | Tax Increment<br>District #1 -<br>Debt Service<br>Fund | Tax Increment<br>District #2 -<br>Debt Service<br>Fund | Non-major<br>Third Penny<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------------------------------------|---------------------|--------------------------------------------------------|--------------------------------------------------------|----------------------------------|--------------------------------|
| <b>DISBURSEMENTS</b>                                        |                     |                                                        |                                                        |                                  |                                |
| General Government:                                         |                     |                                                        |                                                        |                                  |                                |
| Legislative                                                 | 45,509              | -                                                      | -                                                      | -                                | 45,509                         |
| Executive                                                   | 26,163              | -                                                      | -                                                      | -                                | 26,163                         |
| Elections                                                   | 218                 | -                                                      | -                                                      | -                                | 218                            |
| Financial Administration                                    | 278,962             | -                                                      | -                                                      | -                                | 278,962                        |
| Government Buildings<br>and Engineering                     | 234,366             | -                                                      | -                                                      | -                                | 234,366                        |
| Public Safety:                                              |                     |                                                        |                                                        |                                  |                                |
| Police                                                      | 843,625             | -                                                      | -                                                      | -                                | 843,625                        |
| Fire Department                                             | 34,430              | -                                                      | -                                                      | -                                | 34,430                         |
| Protective Inspection                                       | 2,024               | -                                                      | -                                                      | -                                | 2,024                          |
| Public Works:                                               |                     |                                                        |                                                        |                                  |                                |
| Highways and Streets                                        | 603,567             | -                                                      | -                                                      | -                                | 603,567                        |
| Sanitation                                                  | 122,931             | -                                                      | -                                                      | -                                | 122,931                        |
| Health and Welfare:                                         |                     |                                                        |                                                        |                                  |                                |
| Humane Society                                              | 940                 | -                                                      | -                                                      | -                                | 940                            |
| Parks and Recreation                                        | 37,003              | -                                                      | -                                                      | -                                | 37,003                         |
| Conservation and Development:                               |                     |                                                        |                                                        |                                  |                                |
| Planning and Zoning                                         | 13,310              | -                                                      | -                                                      | -                                | 13,310                         |
| Economic Development                                        | -                   | -                                                      | -                                                      | 81,537                           | 81,537                         |
| Debt Service                                                | -                   | 296,800                                                | 486,115                                                | -                                | 782,915                        |
| Capital Outlay                                              | 143,141             | -                                                      | -                                                      | -                                | 143,141                        |
| Total Disbursements                                         | <u>2,386,189</u>    | <u>296,800</u>                                         | <u>486,115</u>                                         | <u>81,537</u>                    | <u>3,250,641</u>               |
| <b>NET CHANGE IN FUND BALANCE</b>                           | 27,318              | 590,847                                                | (83,469)                                               | 2,767                            | 537,463                        |
| <b>FUND BALANCE - BEGINNING, AS<br/>PREVIOUSLY REPORTED</b> | <u>1,580,969</u>    | <u>1,974,827</u>                                       | <u>295,165</u>                                         | <u>120,396</u>                   | <u>3,971,357</u>               |
| <b>RESTATEMENT FOR ERROR CORRECTION</b>                     | <u>-</u>            | <u>(150,000)</u>                                       | <u>-</u>                                               | <u>-</u>                         | <u>(150,000)</u>               |
| <b>FUND BALANCE - BEGINNING, AS<br/>RESTATED</b>            | <u>1,580,969</u>    | <u>1,824,827</u>                                       | <u>295,165</u>                                         | <u>120,396</u>                   | <u>3,821,357</u>               |
| <b>FUND BALANCE - ENDING</b>                                | <u>\$ 1,608,287</u> | <u>\$ 2,415,674</u>                                    | <u>\$ 211,696</u>                                      | <u>\$ 123,163</u>                | <u>\$ 4,358,820</u>            |

The accompanying notes are an integral part of this statement.

**City of Summerset, South Dakota**  
**Balance Sheet - Modified Cash Basis - Proprietary Funds**  
**December 31, 2025**

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|                                  | Sewer<br>Fund     |
|----------------------------------|-------------------|
| <b>ASSETS</b>                    |                   |
| Cash and Cash Equivalents        | \$ 570,035        |
| <b>TOTAL ASSETS</b>              | <u>\$ 570,035</u> |
| <b>NET POSITION</b>              |                   |
| Restricted for Customer Deposits | \$ 42,860         |
| Unrestricted                     | <u>527,175</u>    |
| <b>TOTAL NET POSITION</b>        | <u>\$ 570,035</u> |

The accompanying notes are an integral part of this statement.



**City of Summerset, South Dakota**  
**Statement of Receipts, Disbursements, and Changes in Fund Net Position -**  
**Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2025**

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|                                              |                             |
|----------------------------------------------|-----------------------------|
|                                              | Sewer<br>Fund               |
|                                              | <u>                    </u> |
| <b>OPERATING RECEIPTS</b>                    |                             |
| Receipts Dedicated to Servicing Debt         | \$     810,349              |
|                                              | <u>                    </u> |
| <b>OPERATING DISBURSEMENTS</b>               |                             |
| Personal Services                            | 261,312                     |
| Other Current Operating Disbursements        | <u>287,705</u>              |
|                                              | <u>                    </u> |
| Total Operating Disbursements                | 549,017                     |
|                                              | <u>                    </u> |
| Net Operating Gain                           | 261,332                     |
|                                              | <u>                    </u> |
| <b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b> |                             |
| Investment Earnings                          | 13,726                      |
| Debt Service                                 | (99,903)                    |
| Capital Outlay                               | (401,594)                   |
| Other                                        | <u>435</u>                  |
|                                              | <u>                    </u> |
| Net Nonoperating Receipts (Disbursements)    | (487,336)                   |
|                                              | <u>                    </u> |
| <b>CHANGE IN NET POSITION</b>                | (226,004)                   |
|                                              | <u>                    </u> |
| <b>NET POSITION - BEGINNING</b>              | 796,039                     |
|                                              | <u>                    </u> |
| <b>NET POSITION - ENDING</b>                 | <u>\$     570,035</u>       |

The accompanying notes are an integral part of this statement.

# City of Summerset, South Dakota

## Notes to the Financial Statements

### December 31, 2025

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

As discussed further in Note 1.C., these financial statements are presented on the 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. REPORTING ENTITY**

The reporting entity of the City of Summerset, South Dakota (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.

##### **B. BASIS OF PRESENTATION**

###### *Government-wide Financial Statements:*

The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis display information about the City as a whole. These statements include all funds of the overall government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities - Modified Cash Basis presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

###### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts, and disbursements. 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 if it meets the following criteria:

1. Total assets, liabilities, receipts, or disbursements 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, receipts, or disbursements 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.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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

The funds of the City 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 disbursements for specified purposes. The City has the following special revenue fund:

*Third Penny Fund* - To account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions. The use of this tax is restricted by City Ordinance 34.21.020 and shall be levied for land acquisition, architectural fees, construction costs, payments for the civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the City, its facilities, attractions, and activities per SDCL 10-52A-2. This is not 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.

*Tax Increment District #1 & #2* - Accounts for the accumulation of property tax receipts received on the tax increment district and the payment of long-term debt principal and interest as related to the tax increment district. These funds are both major funds.

**Proprietary Funds:**

*Enterprise Funds* - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payment - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

*Sewer Fund* - 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). This fund is a major fund.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds and are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). The City did not have fiduciary funds as of December 31, 2025.

**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.

The City’s basis of accounting is the modified cash basis, which is a basis of accounting other than GAAP. Under GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus**

*Government-Wide Financial Statements:*

In the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis, 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.

*Fund Financial Statements:*

In the fund financial statements, the “current financial resources” measurement focus is applied to governmental fund types and the “economic resources” measurement focus is used for the proprietary fund types and both areas are applied within the limitations of the modified cash basis of accounting.

**Basis of Accounting**

In the government-wide Statement of Net Position - Modified Cash Basis, the Statement of Activities - Modified Cash Basis, and the fund financial statements, the governmental and business-type activities are presented using the modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements include the recording of investments arising from cash transactions.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and 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 customer transaction or event that would be reported on 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 an adjustment to fair value.

If the City applied GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**D. CASH AND CASH EQUIVALENTS**

The City pools its cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand.

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and short-term investments with a term to maturity at the date of acquisition of three months or less. Certificates of deposit whose term to maturity at the date of acquisition exceeds three months are carried at cost and are included in cash and cash equivalents.

**E. RESTRICTED CASH**

The City maintains restricted cash for debt service reserves required by loan agreements in relation to the tax increment financing.

**F. CAPITAL ASSETS**

*Government-wide Financial Statements:*

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities - Modified Cash Basis, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

*Fund Financial Statements:*

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner in the government-wide financial statements.

**G. LONG-TERM LIABILITIES**

Long-term liabilities include, but are not limited to, financing notes and leases.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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

As discussed in Note 1.C. above, the government-wide financial statements and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify its cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as debt service disbursements on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis. On the Statement of Activities - Modified Cash Basis, the principal and interest are reported as debt service.

**H. REVENUE RECEIVED IN ADVANCE**

Under the modified cash basis of accounting, cash may have been received in advance of the City's providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

**I. PROGRAM RECEIPTS**

Program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry as a whole. Program receipts 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.

**J. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION**

In the proprietary fund's Statement of Receipts, Disbursements, and Changes in Net Position - Modified Cash Basis, receipts and disbursements are classified as operating or nonoperating receipts and disbursements. Operating receipts and disbursements directly relate to the purpose of the fund.

**K. EQUITY CLASSIFICATIONS**

*Government-Wide Financial Statements:*

Equity is classified as net position and is displayed in two components:

1. *Restricted Net Position* - Consists of net position with constraints placed on its 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 does not meet the definition of Restricted Net Position.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is made for purposes for which both restricted and unrestricted net position are available.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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

*Fund Financial Statements:*

In accordance with Government Auditing Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent either because it is not in a spendable form or because of legal or contractual constraints.

*Restricted* - Includes amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the City Commission and do not lapse at year-end.

*Assigned* - Includes amounts that are constrained by City management and are intended to be used for specific purposes but are neither considered restricted nor committed. The City Commission has given management the authority to create assignments of fund balance.

*Unassigned* - Includes positive amounts within the General Fund that have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

Proprietary fund equity is classified the same as in the government-wide financial statements.

The City has established a fund balance reserve policy for the General Fund. The total amount set aside is \$500,000. The policy provides for a budget stabilization reserve of 15 - 20% of annual operating expenditures; an emergency reserve for unforeseen disasters or accidents of 15 - 20% of annual operating expenditures, and a working capital reserve of 5 - 10% of annual operating expenditures. These reserves have not been designated for specific purposes and, as such, are presented in unassigned fund balance in the General Fund. The use of these reserves must be approved by the Commission and shall be limited to emergencies, unanticipated economic downturns, and one-time opportunities and shall not be used for normal or recurring annual operating expenditures. If feasible, minimum fund balances shall be restored in the following year and, certainly, within five years of use.

**NOTE 2 - 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. The following represents the significant overdrafts of expenditures compared to appropriations:

|                      | <u>Appropriations</u> | <u>Total Spent</u> | <u>Overdraft of Expenditures</u> |
|----------------------|-----------------------|--------------------|----------------------------------|
| Debt Service Fund #2 | \$ 387,079            | \$ 486,115         | \$ (99,036)                      |
| Third Penny Fund     | \$ 77,624             | \$ 81,537          | \$ (3,913)                       |

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 3 - DEPOSITS, INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK**

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 that 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.

**Investments**

In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. In the year ended December 31, 2025, the City did not hold any investments as defined by the Governmental Accounting Standards Board.

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

*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, 2025, the City's deposits were adequately secured by FDIC Insurance and collateralized with pledged securities.

*Concentration of Credit Risk* - The City places no limit on the amount that may be invested in any one issuer.

*Interest Rate Risk* - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Assignment of Investment Income* - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the investment.

**NOTE 4 - 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.



**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

**NOTE 5 - COMMITMENTS**

The following is a summary of changes in long-term debt commitments for the year ended December 31, 2025:

|                                          | Beginning<br>Balance<br>12/31/2024 | Additions   | Payments            | Ending<br>Balance<br>12/31/2025 | Due in<br>One Year |
|------------------------------------------|------------------------------------|-------------|---------------------|---------------------------------|--------------------|
| Tax Increment Financing Note             | \$ 902,425                         | \$ -        | \$ (259,082)        | \$ 643,343                      | \$ 268,563         |
| State Revolving Fund Loan                | 141,703                            | -           | (13,093)            | 128,610                         | 13,491             |
| Clean Water State Revolving<br>Fund Loan | 1,534,000                          | -           | (44,772)            | 1,489,228                       | 45,902             |
| Clean Water Project Bond                 | 5,831,128                          | -           | (372,273)           | 5,458,855                       | 379,775            |
|                                          | <u>\$ 8,409,256</u>                | <u>\$ -</u> | <u>\$ (689,220)</u> | <u>\$ 7,720,036</u>             | <u>\$ 707,731</u>  |

The City has an outstanding Tax Increment Financing Note that requires semi-annual \$148,400 payments, including interest at 4.5%. Interest paid for the year ended December 31, 2025 was \$37,718. The final payment is due June 2028. The fund balance of the Tax Increment District #1 Fund is restricted to the purpose of paying this debt. In addition, the City has pledged customer surcharges of the Sewer Fund for the purpose of repaying this debt.

The City has an outstanding State Revolving Fund Loan for the installation of reed beds at the Wastewater Treatment Plant. The loan matures in March 2033 and requires quarterly payments of \$4,300, including interest at 3%. Interest paid for the year ended December 31, 2025 was \$4,105. This debt is paid by the Sewer Fund.

The City has an outstanding Clean Water State Revolving Fund Loan for improvements to the Wastewater Treatment Plant. The loan matures in November 2049 and requires quarterly payments of \$20,676, including interest at 2.5%. Interest paid for the year ended December 31, 2025 was \$37,932. This debt is paid by the Sewer Fund.

The City has an outstanding Clean Water Project Bond Series 2023 for improvements to the Wastewater Treatment Plant. The loan matures in August 2038 and requires quarterly payments of \$121,529, including interest at 2%. Interest paid for the year ended December 31, 2025 was \$113,842. This debt is paid with TIF #2.

The City was in compliance with debt covenants for the year ending December 31, 2025. The debt covenants consist of a bond reserve of \$1,692,136 and an asset management reserve of \$22,418, recorded in the Statement of Net Position - Modified Cash Basis. Deposits are maintained in a savings account.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

**NOTE 5 - COMMITMENTS (CONTINUED)**

**Pledged Revenues**

The City has pledged customer surcharges of the Sewer Fund for the retirement of its tax increment financing note, as previously mentioned. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Below is a comparison of principal and interest payments and total pledged revenue for the year ended December 31, 2025:

|                                     |                     |
|-------------------------------------|---------------------|
| Current Year Principal and Interest | <u>\$ 296,800</u>   |
| Pledged Revenue:                    |                     |
| Tax Increment Receipts              | \$ 810,796          |
| Sewer Fund Receipts                 | <u>810,349</u>      |
| Total Pledged Revenue               | <u>\$ 1,621,145</u> |

The annual requirements to amortize all debt outstanding as of December 31, 2025 are as follows:

|           | Tax Increment<br>Financing Note |                  | State Revolving Fund Loan |                  | Clean Water<br>State Revolving Fund Loan |                   | Clean Water<br>Project Bond |                   | Totals              |                     |
|-----------|---------------------------------|------------------|---------------------------|------------------|------------------------------------------|-------------------|-----------------------------|-------------------|---------------------|---------------------|
|           | Principal                       | Interest         | Principal                 | Interest         | Principal                                | Interest          | Principal                   | Interest          | Principal           | Interest            |
| 2026      | \$ 268,563                      | \$ 28,237        | \$ 13,491                 | \$ 3,708         | \$ 45,902                                | \$ 36,803         | \$ 379,775                  | \$ 106,341        | \$ 707,731          | \$ 175,089          |
| 2027      | 280,784                         | 16,016           | 13,900                    | 3,298            | 47,061                                   | 35,644            | 387,427                     | 98,688            | 729,172             | 153,646             |
| 2028      | 93,996                          | 3,252            | 14,322                    | 2,877            | 48,248                                   | 34,457            | 395,234                     | 90,881            | 551,800             | 131,467             |
| 2029      | -                               | -                | 14,756                    | 2,442            | 49,466                                   | 33,239            | 403,198                     | 82,917            | 467,420             | 118,598             |
| 2030      | -                               | -                | 15,204                    | 1,994            | 50,714                                   | 31,991            | 2,141,185                   | 289,391           | 2,207,103           | 323,376             |
| 2031-2035 | -                               | -                | 56,937                    | 3,255            | 273,426                                  | 140,099           | 1,752,036                   | 70,897            | 2,082,399           | 214,251             |
| 2036-2040 | -                               | -                | -                         | -                | 309,712                                  | 103,813           | -                           | -                 | 309,712             | 103,813             |
| 2041-2045 | -                               | -                | -                         | -                | 350,813                                  | 62,712            | -                           | -                 | 350,813             | 62,712              |
| 2046-2050 | -                               | -                | -                         | -                | 313,886                                  | 16,935            | -                           | -                 | 313,886             | 16,935              |
|           | <u>\$ 643,343</u>               | <u>\$ 47,505</u> | <u>\$ 128,610</u>         | <u>\$ 17,574</u> | <u>\$ 1,489,228</u>                      | <u>\$ 495,693</u> | <u>\$ 5,458,855</u>         | <u>\$ 739,115</u> | <u>\$ 7,720,036</u> | <u>\$ 1,299,887</u> |

**NOTE 6 - LEASES**

The City leases various pieces of equipment under financing agreements. Future lease payments due as of December 31, 2025 are comprised of the following:

Equipment lease for body cameras. Due in  
annual installments of \$8,100 through 2029.  
Financed through the General Fund. \$ 32,400

Annual lease payments to maturity for all leases outstanding as of December 31, 2025 are as follows:

| Year<br>Ending<br>December 31, | Equipment<br>Lease<br>Payment<br>Amounts |
|--------------------------------|------------------------------------------|
| 2026                           | \$ 8,100                                 |
| 2027                           | 8,100                                    |
| 2028                           | 8,100                                    |
| 2029                           | 8,100                                    |
|                                | <u>\$ 32,400</u>                         |

# **City of Summerset, South Dakota**

## **Notes to the Financial Statements**

### **December 31, 2025**

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#### **NOTE 7 - TAX ABATEMENTS**

The City has an active Tax Increment Financing (TIF #1) district in which the City has a loan agreement with Rural Development to provide for the cost of upgrades to its sewer facility. Under the agreement, property tax increments received by the City are remitted as loan payments to Rural Development. The district was approved by resolution by the City Commission as allowed by South Dakota Codified Law Section 11-9. When the loan is paid off or TIF #1 is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$810,796 were received by the City and payments of \$296,800 were made to Rural Development during the year ended December 31, 2025.

The City has an active Tax Increment Financing (TIF #2) District in which the City has a loan agreement with the State of South Dakota Board of Water and Natural Resources to provide for the cost of upgrades to the wastewater treatment plant. Under the agreement, property tax increments received by the City are remitted as loan payments to the State of South Dakota Board of Water and Natural Resources. The district was approved by resolution of the City Commission as allowed by South Dakota Codified Law Section 11-9. When the loan is paid off or TIF #2 is dissolved in accordance with state statutes, all property tax revenues will be distributed to the appropriate taxing entities. Property tax increments totaling \$402,646 were received by the City and payments of \$486,115 were made during the year ended December 31, 2025.

#### **NOTE 8 - PENSION PLAN**

##### **Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan-type provisions and is administered by the 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. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

##### **Benefits Provided**

SDRS has 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 who were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation judicial 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 retirements 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% joint survivor benefit when the member dies.

# City of Summerset, South Dakota

## Notes to the Financial Statements

### December 31, 2025

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#### NOTE 8 - PENSION PLAN (CONTINUED)

Members who 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> 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 3<sup>rd</sup> 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% to 0.0%.

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, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2025, 2024, and 2023 were \$70,454, \$68,362, and \$57,551, respectively, and were equal to the required contributions each year.

#### Pension Liabilities (Assets)

At June 30, 2025, SDRS was 100.06% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the City as of the measurement period ending June 30, 2025 and reported by the City as of December 31, 2025 is as follows:

|                                                                           |                   |
|---------------------------------------------------------------------------|-------------------|
| Proportionate Share of Total Pension Liability (Asset)                    | \$ 6,093,147      |
| Less: Proportionate Share of Net Position Restricted for Pension Benefits | <u>6,096,542</u>  |
| Proportionate Share of Net Pension Liability (Asset)                      | <u>\$ (3,395)</u> |

# City of Summerset, South Dakota

## Notes to the Financial Statements

### December 31, 2025

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#### NOTE 8 - PENSION PLAN (CONTINUED)

At December 31, 2025, the City had a liability (asset) of \$(3,395) for its proportionate share of the net pension liability (asset). This liability (asset) is not reflected in the financial statements. The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on the projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. As of June 30, 2025, the City's proportion was 0.039921% which is an increase of 0.002867% from its proportion measured as of June 30, 2024.

#### Actuarial Assumptions

The total pension liability (asset) in the June 30, 2025 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                                      |
| Discount Rate    | 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     | 1.56%                                                                                                                   |

#### 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, 2025 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

**NOTE 8 - PENSION PLAN (CONTINUED)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the 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, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset Class           | Target<br>Allocation | Long-term<br>Expected Real<br>Rate of Return |
|-----------------------|----------------------|----------------------------------------------|
| Public Entity         | 56.3%                | 3.8%                                         |
| Investment Grade Debt | 22.8%                | 2.3%                                         |
| High Yield Debt       | 7.0%                 | 2.9%                                         |
| Real Estate           | 12.0%                | 4.0%                                         |
| Cash                  | 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 assumes that plan member contributions will be made at the current contribution rate and that matching employer contributions 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 Changes in the Discount Rate**

The following presents the City's proportionate share of the 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> | Current<br>Discount<br>Rate | <u>1% Increase</u> |
|--------------------------------------------------------------------|--------------------|-----------------------------|--------------------|
| City's Proportionate Share of the Net<br>Pension Liability (Asset) | \$ 832,126         | \$ (3,395)                  | \$ (687,887)       |

**City of Summerset, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 - RISK ASSESSMENT**

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 year ended December 31, 2025, the City managed its risks as follows:

**Unemployment Benefits**

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by State law and managed by the State of South Dakota. During the year ended December 31, 2025, no claims were paid for unemployment benefits. At December 31, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**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, to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to 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 that could result in a claim being made by or against the City. The City pays a Member's Annual Operating Contribution to provide liability coverage detailed below, under an occurrence-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, officials' liability, automobile liability and damage, property damage, and law enforcement liability.

The City carries a \$0 deductible for the governmental general liability coverage, a \$2,000 deductible for law enforcement liability coverage, a \$0 deductible for automobile liability coverage, and a \$0 deductible for the municipal property and officials' liability coverage.

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.

# City of Summerset, South Dakota

## Notes to the Financial Statements

### December 31, 2025

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#### **NOTE 9 - RISK ASSESSMENT (CONTINUED)**

##### **Worker's Compensation**

The City joined the South Dakota Municipal League Worker's Compensation Fund (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 worker's 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 worker's 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 statutory limits in addition to a separate combined employer liability of an additional \$2,000,000 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 during the past three years.

#### **NOTE 10 - RESTRICTED NET POSITION**

Net position of \$2,415,674 and \$211,696 is restricted by debt covenants for debt service and \$42,860 is restricted by funding sources for customer deposits for the year ended December 31, 2025.

#### **NOTE 11 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**

During the year ended December 31, 2025, it was discovered that a transfer out of the TID #1 Fund was not recorded for the year ended December 31, 2024. A summary of the restatement is as follows:

|                                                  | Governmental<br>Activities | Tax Increment<br>District #1 -<br>Debt Service<br>Fund |
|--------------------------------------------------|----------------------------|--------------------------------------------------------|
| Net Position - Beginning, as Previously Reported | \$ 3,971,357               | \$ 1,974,827                                           |
| Error Correction                                 | <u>(150,000)</u>           | <u>(150,000)</u>                                       |
| Net Position - Beginning, as Restated            | <u>\$ 3,821,357</u>        | <u>\$ 1,824,827</u>                                    |

#### **NOTE 12 - SUBSEQUENT EVENTS**

The City has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.



## SUPPLEMENTARY INFORMATION

**City of Summerset, South Dakota**  
**Budgetary Comparison Schedule - Modified Cash Basis - General Fund**  
**For the Year Ended December 31, 2025**

|                                 | <u>Budgeted Amounts</u> |                  | <u>Actual</u>                | <u>Variance</u>            |
|---------------------------------|-------------------------|------------------|------------------------------|----------------------------|
|                                 | <u>Original</u>         | <u>Final</u>     | <u>(Modified Cash Basis)</u> | <u>Positive (Negative)</u> |
| <b>RECEIPTS</b>                 |                         |                  |                              |                            |
| Taxes:                          |                         |                  |                              |                            |
| General Property Taxes          | \$ 802,372              | \$ 802,372       | \$ 793,132                   | \$ (9,240)                 |
| General Sales and Use Taxes     | 1,100,807               | 1,100,807        | 1,137,287                    | 36,480                     |
| Penalties and Interest on       |                         |                  |                              |                            |
| Delinquent Taxes                | 250                     | 250              | 560                          | 310                        |
| Licenses and Permits            | 133,900                 | 133,900          | 88,512                       | (45,388)                   |
| Intergovernmental Receipts:     |                         |                  |                              |                            |
| Federal Grants                  | 12,378                  | 12,378           | 8,941                        | (3,437)                    |
| State Grants                    | 25,000                  | 25,000           | 13,640                       | (11,360)                   |
| State Shared Receipts:          |                         |                  |                              |                            |
| Bank Franchise Tax              | 5,000                   | 5,000            | 3,396                        | (1,604)                    |
| Liquor Tax Reversion            | 21,000                  | 21,000           | 19,849                       | (1,151)                    |
| Motor Vehicle Licenses (5%)     | 30,000                  | 30,000           | 32,557                       | 2,557                      |
| County Shared Receipts:         |                         |                  |                              |                            |
| County Road Tax                 | 1,310                   | 1,310            | 1,310                        | -                          |
| Other                           | 5,000                   | 5,000            | 4,643                        | (357)                      |
| Charges for Goods and Services: |                         |                  |                              |                            |
| Solid Waste Collections         | 200,000                 | 200,000          | 210,163                      | 10,163                     |
| Fines and Forfeits:             |                         |                  |                              |                            |
| Court Fines and Costs           | 1,600                   | 1,600            | 195                          | (1,405)                    |
| Miscellaneous Receipts:         |                         |                  |                              |                            |
| Investment Earnings             | 65,000                  | 65,000           | 42,149                       | (22,851)                   |
| Other                           | 60,050                  | 60,050           | 57,173                       | (2,877)                    |
| Total Receipts                  | <u>2,463,667</u>        | <u>2,463,667</u> | <u>2,413,507</u>             | <u>(50,160)</u>            |

See the independent auditor's report and notes to the supplementary information.

**City of Summerset, South Dakota**  
**Budgetary Comparison Schedule - Modified Cash Basis -**  
**General Fund (Continued)**  
**For the Year Ended December 31, 2025**

|                                      | <u>Budgeted Amounts</u> |                   | <u>Actual</u>                | <u>Variance</u>            |
|--------------------------------------|-------------------------|-------------------|------------------------------|----------------------------|
|                                      | <u>Original</u>         | <u>Final</u>      | <u>(Modified Cash Basis)</u> | <u>Positive (Negative)</u> |
| <b>DISBURSEMENTS</b>                 |                         |                   |                              |                            |
| General Government:                  |                         |                   |                              |                            |
| Legislative                          | 193,935                 | 107,142           | 45,509                       | 61,633                     |
| Executive                            | 28,310                  | 28,310            | 26,163                       | 2,147                      |
| Elections                            | 1,250                   | 1,250             | 218                          | 1,032                      |
| Financial Administration             | 268,978                 | 310,112           | 278,962                      | 31,150                     |
| Government Buildings and Engineering | 208,677                 | 253,677           | 234,366                      | 19,311                     |
| Public Safety:                       |                         |                   |                              |                            |
| Police                               | 1,018,516               | 1,064,176         | 986,766                      | 77,410                     |
| Fire Department                      | 35,257                  | 35,257            | 34,430                       | 827                        |
| Protective Inspection                | 15,000                  | 15,000            | 2,024                        | 12,976                     |
| Public Works:                        |                         |                   |                              |                            |
| Highways and Streets                 | 1,011,382               | 1,011,382         | 603,567                      | 407,815                    |
| Sanitation                           | 233,000                 | 233,000           | 122,931                      | 110,069                    |
| Health and Welfare:                  |                         |                   |                              |                            |
| Humane Society                       | 2,000                   | 2,000             | 940                          | 1,060                      |
| Parks and Recreation                 | 50,750                  | 50,750            | 37,003                       | 13,747                     |
| Conservation and Development:        |                         |                   |                              |                            |
| Planning and Zoning                  | 24,623                  | 24,623            | 13,310                       | 11,313                     |
| Total Disbursements                  | <u>3,091,678</u>        | <u>3,136,679</u>  | <u>2,386,189</u>             | <u>750,490</u>             |
| <b>CHANGE IN FUND BALANCE</b>        | (628,011)               | (673,012)         | 27,318                       | 700,330                    |
| <b>FUND BALANCE - BEGINNING</b>      | <u>1,580,969</u>        | <u>1,580,969</u>  | <u>1,580,969</u>             | <u>-</u>                   |
| <b>FUND BALANCE - ENDING</b>         | <u>\$ 952,958</u>       | <u>\$ 907,957</u> | <u>\$ 1,608,287</u>          | <u>\$ 700,330</u>          |

See the independent auditor's report and notes to the supplementary information.

**City of Summerset, South Dakota**  
**Schedule of the City's Proportionate Share**  
**of the Net Pension Liability (Asset)**  
**For the Years Ended December 31**

| Year* | City's<br>Proportion<br>of the Net<br>Pension<br>Liability/Asset | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) | City's<br>Covered<br>Payroll | City's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability/Asset<br>as a Percentage<br>of its Covered<br>Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage<br>of the Total<br>Pension<br>Liability<br>Liability/Asset |
|-------|------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 2025  | 0.0399210%                                                       | \$ (3,395)                                                                     | \$ 1,008,863                 | 0.34%                                                                                                                     | 100.06%                                                                                                      |
| 2024  | 0.0370540%                                                       | \$ (1,500)                                                                     | \$ 886,730                   | 0.17%                                                                                                                     | 100.03%                                                                                                      |
| 2023  | 0.0364690%                                                       | \$ (3,560)                                                                     | \$ 818,918                   | 0.43%                                                                                                                     | 100.07%                                                                                                      |
| 2022  | 0.0363350%                                                       | \$ (3,434)                                                                     | \$ 746,848                   | 0.46%                                                                                                                     | 100.10%                                                                                                      |
| 2021  | 0.0276560%                                                       | \$ (211,798)                                                                   | \$ 542,011                   | 39.08%                                                                                                                    | 105.52%                                                                                                      |
| 2020  | 0.0234863%                                                       | \$ (1,020)                                                                     | \$ 437,960                   | 0.23%                                                                                                                     | 100.04%                                                                                                      |
| 2019  | 0.0214991%                                                       | \$ (2,278)                                                                     | \$ 405,145                   | 0.56%                                                                                                                     | 100.09%                                                                                                      |
| 2018  | 0.0191046%                                                       | \$ (446)                                                                       | \$ 438,085                   | 0.10%                                                                                                                     | 100.02%                                                                                                      |
| 2017  | 0.0179915%                                                       | \$ (1,633)                                                                     | \$ 314,202                   | 0.52%                                                                                                                     | 100.10%                                                                                                      |
| 2016  | 0.0182256%                                                       | \$ 61,564                                                                      | \$ 304,559                   | 20.21%                                                                                                                    | 96.89%                                                                                                       |

\*The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset), which is June 30.

See the independent auditor's report and notes to the supplementary information.

**City of Summerset, South Dakota**  
**Schedule of Pension Contributions**  
**For the Years Ended December 31**

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| Year | Contractually-<br>required<br>Contribution | Contributions<br>in Relation<br>to the<br>Contractually-<br>required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | City's<br>Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered<br>Payroll |
|------|--------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------|------------------------------|--------------------------------------------------------------|
| 2025 | \$ 70,454                                  | \$ 70,454                                                                            | \$ -                                   | \$ 1,000,891                 | 7.0%                                                         |
| 2024 | \$ 68,362                                  | \$ 68,362                                                                            | \$ -                                   | \$ 971,695                   | 7.0%                                                         |
| 2023 | \$ 57,551                                  | \$ 57,551                                                                            | \$ -                                   | \$ 831,393                   | 6.9%                                                         |
| 2022 | \$ 56,128                                  | \$ 56,128                                                                            | \$ -                                   | \$ 808,878                   | 6.9%                                                         |
| 2021 | \$ 46,036                                  | \$ 46,036                                                                            | \$ -                                   | \$ 657,413                   | 7.0%                                                         |
| 2020 | \$ 31,459                                  | \$ 31,459                                                                            | \$ -                                   | \$ 456,431                   | 6.9%                                                         |
| 2019 | \$ 29,693                                  | \$ 29,693                                                                            | \$ -                                   | \$ 432,602                   | 6.9%                                                         |
| 2018 | \$ 25,584                                  | \$ 25,584                                                                            | \$ -                                   | \$ 377,689                   | 6.8%                                                         |
| 2017 | \$ 22,004                                  | \$ 22,004                                                                            | \$ -                                   | \$ 318,481                   | 6.9%                                                         |
| 2016 | \$ 21,429                                  | \$ 21,429                                                                            | \$ -                                   | \$ 309,923                   | 6.9%                                                         |

See the independent auditor's report and notes to the supplementary information.

**City of Summerset, South Dakota**  
**Notes to the Supplementary Information**  
**For the Year Ended December 31, 2025**

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**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedule has been prepared on the modified cash basis of accounting and presents capital outlay and debt service expenditures within each department rather than as separate functions similar to the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. At the first regular City Commission meeting in September each year, or within ten days thereafter, the City Commission introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the City Commission, the operating budget is legally binding, and actual disbursements 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 city budget and may be transferred by resolution of the City Commission 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 Commission. The City did not encumber any amounts at December 31, 2025.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

**NOTE 3 - SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

**Changes from Prior Valuation**

The June 30, 2025, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, Actuarial Valuation.

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

**Benefit Provision Changes**

During the 2025 Legislative Session, no significant SDRS benefit changes were made.

**Actuarial Method Changes**

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

**Actuarial Assumption Changes**

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 an FVFR equal to or exceeding 100%.

See independent auditor's report.

**City of Summerset, South Dakota**  
**Notes to the Supplementary Information**  
**For the Year Ended December 31, 2025**

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**NOTE 3 - SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)**

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption of 2.25% was again less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

As of June 30, 2025, the FVFR, assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.

See independent auditor's report.

**City of Summerset, South Dakota  
City Officials  
For the Year Ended December 31, 2025**

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**MAYOR**

Michael Kitzmiller

**COMMISSION MEMBERS**

Clyde Hirsch

Michael Osten

Jordan Pulscher

Gwenn Markham

**CITY ADMINISTRATOR**

Lisa Schieffer

**FINANCE OFFICER**

Brielle Schrock

See independent auditor's report.