



Financial Statements
December 31, 2015 and 2014
City of Groton

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Independent Auditor's Report

The City Council
City of Groton
Groton, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Groton (the "City") as of December 31, 2015, and for each of the years in the two year period then ended and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis described in Note 1; this includes determining that the other comprehensive basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis - of the governmental activities, the business-type activities, and each major fund of the City of Groton as of December 31, 2015, and the respective changes in financial position - modified cash basis and, where applicable, cash flows - modified cash basis thereof and for each of the years in the two year period then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City's financial statements. The listing of municipal officers, budgetary comparison, schedule of net pension asset, and long-term debt schedule are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison, schedule of net pension asset, and long-term debt schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The listing of municipal officers has not been subjected to 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 October 4, 2016 on our consideration of the City of Groton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Audit Standards in considering the City's internal control over financial reporting and compliance.



Aberdeen, South Dakota
October 4, 2016

City of Groton
Statement of Net Position—Modified Cash Basis
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 326,178	\$ 150,467	\$ 476,645
Restricted assets:			
Cash and cash equivalents	28,586	-	28,586
	<u>\$ 354,764</u>	<u>\$ 150,467</u>	<u>\$ 505,231</u>
Net Position			
Nonexpendable	\$ 35,687	\$ -	\$ 35,687
Restricted for:			
Airport	10,247	-	10,247
Debt service	16,420	-	16,420
Promotion	1,919	-	1,919
Unrestricted	290,491	150,467	440,958
	<u>\$ 354,764</u>	<u>\$ 150,467</u>	<u>\$ 505,231</u>

City of Groton
Statements of Activities—Modified Cash Basis
Year Ended December 31, 2015

2015

Functions/Programs	Program Revenues			Capital Grants, Contributions, and Loan Proceeds	Net Revenue (Expense) and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities		Total			
Primary Government											
Governmental activities:											
General government	\$ 383,459	\$ 35,830	\$ -	\$ -	\$ (347,629)	\$ -	\$ -	\$ (347,629)			
Public safety	355,072	2,779	-	27,396	(324,897)	-	-	(324,897)			
Public works	693,055	22,190	58,428	23,012	(589,425)	-	-	(589,425)			
Health and welfare	3,490	229	-	-	(3,261)	-	-	(3,261)			
Culture and recreation	188,706	72,762	-	-	(115,944)	-	-	(115,944)			
Conservation and development	6,314	-	-	-	(6,314)	-	-	(6,314)			
Debt service	2,715,553	-	-	165,380	(2,550,173)	-	-	(2,550,173)			
Miscellaneous	1,066	-	-	-	(1,066)	-	-	(1,066)			
Total governmental activities	4,346,715	133,790	58,428	215,788	(3,938,709)	-	-	(3,938,709)			
Business-type activities:											
Water fund	210,017	309,476	-	-	-	99,459	-	99,459			
Sewer fund	648,313	211,794	-	-	-	(436,519)	-	(436,519)			
Electric fund	1,482,313	1,583,878	-	-	-	101,565	-	101,565			
Solid Waste fund	77,830	85,856	-	-	-	8,026	-	8,026			
Total business-type activities	2,418,473	2,191,004	-	-	-	(227,469)	-	(227,469)			
Total primary government	\$ 6,765,188	\$ 2,324,794	\$ 58,428	\$ 215,788	(3,938,709)	(227,469)	-	(4,166,178)			
General Revenues											
Taxes:											
Property taxes					634,944	-	-	634,944			
Sales taxes					489,123	-	-	489,123			
Penalties & interest on delinquent taxes					1,111	-	-	1,111			
State shared revenues					11,355	-	-	11,355			
Unrestricted investment earnings					547	-	-	547			
Miscellaneous revenue					15,624	-	-	15,624			
Transfers					(71,000)	71,000	-	-			
Sale of Municipal Property					-	1,169	-	1,169			
Compensation for Damage to Capital Assets					-	-	-	-			
Long-Term Debt Issued					3,055,000	-	-	3,055,000			
Total general revenues					4,376,704	72,169	-	4,448,873			
Change in Net Position					437,995	(155,300)	-	282,695			
Net Position - Beginning					(83,231)	305,767	-	222,536			
Net Position - Ending					\$ 354,764	\$ 150,467	\$ -	\$ 505,231			

See Notes to Financial Statements

City of Groton
Statements of Activities—Modified Cash Basis
Year Ended December 31, 2014

Functions/Programs	2014					Net Revenue (Expense) and Changes in Net Position		
	Program Revenues			Capital Grants, Contributions, and Loan Proceeds				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions					
Primary Government								
Governmental activities:								
General government	\$ 342,812	\$ 39,400	\$ -	\$ -	\$ 20,785	\$ (303,412)	\$ -	\$ (303,412)
Public safety	336,337	2,233	-	-	37,267	(313,319)	-	(313,319)
Public works	1,725,174	34,671	55,971	-	-	(1,597,265)	-	(1,597,265)
Health and welfare	7,411	50	-	-	-	(7,361)	-	(7,361)
Culture and recreation	188,206	62,649	-	-	-	(125,557)	-	(125,557)
Conservation and development	1,494	-	-	-	-	(1,494)	-	(1,494)
Debt service	423,861	-	-	-	164,390	(259,471)	-	(259,471)
Miscellaneous	1,093	-	-	-	-	(1,093)	-	(1,093)
Total governmental activities	3,026,388	139,003	55,971	-	222,442	(2,608,972)	-	(2,608,972)
Business-type activities:								
Water fund	268,235	302,685	-	-	-	-	34,450	34,450
Sewer fund	157,867	211,340	-	-	-	-	53,473	53,473
Electric fund	1,365,408	1,640,331	-	-	-	-	274,923	274,923
Solid waste fund	81,175	88,172	-	-	-	-	6,997	6,997
Total business-type activities	1,872,685	2,242,528	-	-	-	-	369,843	369,843
Total primary government	\$ 4,899,073	\$ 2,381,531	\$ 55,971	\$ 222,442	(2,608,972)	(2,608,972)	369,843	(2,239,129)
General Revenues								
Taxes:								
Property taxes	615,591	-	-	-	-	615,591	-	615,591
Sales taxes	531,658	-	-	-	-	531,658	-	531,658
Penalties & interest on delinquent taxes	564	-	-	-	-	564	-	564
State shared revenues	11,540	-	-	-	-	11,540	-	11,540
Unrestricted investment earnings	13,675	-	-	-	-	13,675	-	13,675
Miscellaneous revenue	300,000	-	-	-	-	300,000	-	300,000
Transfers	278	-	-	-	-	278	-	278
Sale of Municipal Property	-	-	-	-	-	-	68,378	68,378
Compensation for Damage to Capital Assets	250,000	-	-	-	-	250,000	-	250,000
Long-Term Debt Issued	250,000	-	-	-	-	250,000	-	250,000
Advances on line of credit	-	-	-	-	-	-	6,328	6,328
Total general revenues	1,973,901	-	-	-	(225,572)	1,748,329	-	1,748,329
Change in Net Position	(635,071)	144,271	-	-	-	(490,800)	-	(490,800)
Net Position - Beginning	551,840	161,496	-	-	-	713,336	-	713,336
Net Position - Ending	\$ (83,231)	\$ 305,767	\$ -	\$ -	\$ -	\$ 222,536	\$ -	\$ 222,536

City of Groton
Balance Sheet—Modified Cash Basis—Governmental Funds
December 31, 2015

	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 264,868	-	\$ 27,123	\$ -	\$ 34,187	\$ 326,178
Restricted cash and cash equivalents	10,247	1,919	-	16,420	-	28,586
	<u>\$ 275,115</u>	<u>\$ 1,919</u>	<u>\$ 27,123</u>	<u>\$ 16,420</u>	<u>\$ 34,187</u>	<u>\$ 354,764</u>
Fund Balances						
263 Nonexpendable	\$ 1,500	-	\$ -	\$ -	\$ 34,187	\$ 35,687
264 Restricted for						
Other	10,247	-	-	-	-	10,247
Debt service Promotion	-	-	-	16,420	-	16,420
265 Committed	-	1,919	-	-	-	1,919
267 Unassigned	263,368	-	27,123	-	-	27,123
	<u>\$ 275,115</u>	<u>\$ 1,919</u>	<u>\$ 27,123</u>	<u>\$ 16,420</u>	<u>\$ 34,187</u>	<u>\$ 354,764</u>

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2015

	2015					Total Governmental Funds
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	
Revenues						
310 Taxes						
311 General property taxes	\$ 633,886	\$ -	\$ -	\$ -	\$ -	\$ 633,886
313 General sales and use taxes	465,093	24,030	-	-	-	489,123
317 Excise tax	1,058	-	-	-	-	1,058
319 Penalties and interest on delinquent taxes	1,111	-	-	-	-	1,111
Total taxes	<u>1,101,148</u>	<u>24,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125,178</u>
320 Licenses and permits	<u>10,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,987</u>
330 Intergovernmental revenue						
334 State grants	23,012	-	-	-	-	23,012
335 State shared revenue						
335.01 Bank franchise tax	2,289	-	-	-	-	2,289
335.02 Motor vehicle commercial prorate	3,214	-	-	-	-	3,214
335.03 Liquor tax reversion	9,066	-	-	-	-	9,066
335.04 Motor vehicle licenses (5%)	20,156	-	-	-	-	20,156
335.08 Local government highway and bridge fund	34,015	-	-	-	-	34,015
338 County shared revenue						
338.01 County road tax (25%)	101	-	-	-	-	101
338.03 County wheel tax	942	-	-	-	-	942
Total intergovernmental revenue	<u>92,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,795</u>
340 Charges for goods and services						
341 General government	1,196	-	-	-	-	1,196
342 Public safety	1,260	-	-	-	-	1,260
343 Highways and streets	18,515	-	-	-	-	18,515
344 Sanitation	-	-	-	-	-	-
345 Health	229	-	-	-	-	229
346 Culture and recreation	72,762	-	-	-	-	72,762
348 Cemetery	2,575	-	-	-	1,100	3,675
Total charges for good and services	<u>96,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100</u>	<u>97,637</u>
350 Fines and forfeits						
351 Court fines and costs	499	-	-	-	-	499
352 Animal control fines	990	-	-	-	-	990
353 Parking meter fines	-	-	-	-	-	-
354 Library	30	-	-	-	-	30
Total fines and forfeits	<u>1,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519</u>
360 Miscellaneous revenue						
361 Investment earnings	547	-	-	-	-	547
362 Rentals	-	-	23,647	-	-	23,647
363 Special assessments	-	-	-	165,380	-	165,380
367 Contributions and donations from private sources	27,196	-	-	-	200	27,396
368 Liquor operating agreement income	14,998	-	-	-	-	14,998
369 Other	626	-	-	-	-	626
Total miscellaneous revenue	<u>43,367</u>	<u>-</u>	<u>23,647</u>	<u>165,380</u>	<u>200</u>	<u>232,594</u>
Total revenues	<u>1,346,353</u>	<u>24,030</u>	<u>23,647</u>	<u>165,380</u>	<u>1,300</u>	<u>1,560,710</u>

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2015

	2015					Total Governmental Funds
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	
Expenditures						
410 General government						
411 Legislative	11,643	-	-	-	-	11,643
412 Executive	6,005	-	-	-	-	6,005
413 Elections	37	-	-	-	-	37
414 Financial administration	355,448	-	-	-	-	355,448
419 Other	10,326	-	-	-	-	10,326
Total general government	<u>383,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,459</u>
420 Public safety						
421 Police	354,081	-	-	-	-	354,081
429 Other protection	991	-	-	-	-	991
Total public safety	<u>355,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,072</u>
430 Public works						
431 Highways and streets	651,727	-	-	-	-	651,727
432 Sanitation	263	-	-	-	-	263
435 Airport	-	-	26,914	-	-	26,914
437 Cemeteries	12,209	-	-	-	-	12,209
439 Transit	1,942	-	-	-	-	1,942
Total public works	<u>666,141</u>	<u>-</u>	<u>26,914</u>	<u>-</u>	<u>-</u>	<u>693,055</u>
440 Health and welfare						
441 Health	3,490	-	-	-	-	3,490
Total health and welfare	<u>3,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,490</u>
450 Culture and recreation						
451 Recreation	152,667	24,158	-	-	-	176,825
452 Parks	7,498	-	-	-	-	7,498
455 Libraries	2,024	-	-	-	-	2,024
456 Auditorium	2,359	-	-	-	-	2,359
Total culture and recreation	<u>164,548</u>	<u>24,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,706</u>
460 Conservation and development						
465 Economic development and assistance (industrial development)	6,314	-	-	-	-	6,314
Total conservation and development	<u>6,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,314</u>
470 Debt service	1,027,460	-	-	1,688,093	-	2,715,553
490 Miscellaneous						
492 Other expenditures	1,135	-	-	-	-	1,135
493 Liquor operating agreements	(69)	-	-	-	-	(69)
Total miscellaneous	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,066</u>
Total expenditures	<u>2,607,550</u>	<u>24,158</u>	<u>26,914</u>	<u>1,688,093</u>	<u>-</u>	<u>4,346,715</u>
Excess (Deficiency) of revenue over expenditures	<u>(1,261,197)</u>	<u>(128)</u>	<u>(3,267)</u>	<u>(1,522,713)</u>	<u>1,300</u>	<u>(2,786,005)</u>
Other Financing Sources (Uses)						
391.01 Transfers in	352,946	-	-	1,216,384	-	1,569,330
511 Transfers out	(1,627,386)	-	-	(12,944)	-	(1,640,330)
391.03 Sale of municipal property	-	-	-	-	-	-
391.20 Long-term debt issued	3,055,000	-	-	-	-	3,055,000
Advances on line of credit	240,000	-	-	-	-	240,000
Total other financing sources (uses)	<u>2,020,560</u>	<u>-</u>	<u>-</u>	<u>1,203,440</u>	<u>-</u>	<u>3,224,000</u>
Net Change in Fund Balance	759,363	(128)	(3,267)	(319,273)	1,300	437,995
Fund Balance - Beginning	(484,248)	2,047	30,390	335,693	32,887	(83,231)
Fund Balance - Ending	<u>\$ 275,115</u>	<u>\$ 1,919</u>	<u>\$ 27,123</u>	<u>\$ 16,420</u>	<u>\$ 34,187</u>	<u>\$ 354,764</u>

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2014

	2014					Total Governmental Funds
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	
Revenues						
310 Taxes						
311 General property taxes	\$ 615,591	\$ -	\$ -	\$ -	\$ -	\$ 615,591
313 General sales and use taxes	507,880	23,778	-	-	-	531,658
317 Excise tax	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	564	-	-	-	-	564
Total taxes	1,124,035	23,778	-	-	-	1,147,813
320 Licenses and permits	12,043	-	-	-	-	12,043
330 Intergovernmental revenue						
334 State grants	37,267	-	-	-	-	37,267
335 State shared revenue						
335.01 Bank franchise tax	2,163	-	-	-	-	2,163
335.02 Motor vehicle commercial prorated	3,222	-	-	-	-	3,222
335.03 Liquor tax reversion	9,377	-	-	-	-	9,377
335.04 Motor vehicle licenses (5%)	18,232	-	-	-	-	18,232
335.08 Local government highway and bridge fund	33,488	-	-	-	-	33,488
338 County shared revenue						
338.01 County road tax (25%)	-	-	-	-	-	-
338.03 County wheel tax	1,029	-	-	-	-	1,029
Total intergovernmental revenue	104,778	-	-	-	-	104,778
340 Charges for goods and services						
341 General government	1,533	-	-	-	-	1,533
342 Public safety	1,031	-	-	-	-	1,031
343 Highways and streets	31,196	-	-	-	-	31,196
344 Sanitation	450	-	-	-	-	450
345 Health	50	-	-	-	-	50
346 Culture and recreation	62,649	-	-	-	-	62,649
348 Cemetery	3,025	-	-	-	-	3,025
Total charges for good and services	99,934	-	-	-	-	99,934
350 Fines and forfeits						
351 Court fines and costs	42	-	-	-	-	42
352 Animal control fines	482	-	-	-	-	482
353 Parking meter fines	630	-	-	-	-	630
354 Library	48	-	-	-	-	48
Total fines and forfeits	1,202	-	-	-	-	1,202
360 Miscellaneous revenue						
361 Investment earnings	540	-	5	50	-	595
362 Rentals	-	-	25,824	-	-	25,824
363 Special assessments	-	-	-	164,390	-	164,390
367 Contributions and donations from private sources	20,785	-	-	-	-	20,785
368 Liquor operating agreement income	12,405	-	-	-	-	12,405
369 Other	1,220	-	50	-	-	1,270
Total miscellaneous revenue	34,950	-	25,879	164,440	-	225,269
Total revenues	1,376,942	23,778	25,879	164,440	-	1,591,039

City of Groton

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Funds
Year Ended December 31, 2014

	2014					
	General Fund	3rd Penny Sales Tax Fund	Airport Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Expenditures						
410 General government						
411 Legislative	11,371	-	-	-	-	11,371
412 Executive	6,201	-	-	-	-	6,201
413 Elections	819	-	-	-	-	819
414 Financial administration	288,571	-	-	-	-	288,571
419 Other	35,850	-	-	-	-	35,850
Total general government	<u>342,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,812</u>
420 Public safety						
421 Police	334,076	-	-	-	-	334,076
429 Other protection	2,261	-	-	-	-	2,261
Total public safety	<u>336,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,337</u>
430 Public works						
431 Highways and streets	1,687,605	-	-	-	-	1,687,605
432 Sanitation	-	-	-	-	-	-
435 Airport	-	-	24,655	-	-	24,655
437 Cemeteries	10,684	-	-	-	-	10,684
439 Transit	2,230	-	-	-	-	2,230
Total public works	<u>1,700,519</u>	<u>-</u>	<u>24,655</u>	<u>-</u>	<u>-</u>	<u>1,725,174</u>
440 Health and welfare						
441 Health	7,411	-	-	-	-	7,411
Total health and welfare	<u>7,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,411</u>
450 Culture and recreation						
451 Recreation	142,232	29,893	-	-	-	172,125
452 Parks	12,051	-	-	-	-	12,051
455 Libraries	558	-	-	-	-	558
456 Auditorium	3,472	-	-	-	-	3,472
Total culture and recreation	<u>158,313</u>	<u>29,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,206</u>
460 Conservation and development						
465 Economic development and assistance (industrial development)	1,494	-	-	-	-	1,494
Total conservation and development	<u>1,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494</u>
470 Debt service	132,143	-	-	291,718	-	423,861
490 Miscellaneous						
492 Other expenditures	1,059	-	-	-	-	1,059
493 Liquor operating agreements	34	-	-	-	-	34
Total miscellaneous	<u>1,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,093</u>
Total expenditures	<u>2,680,122</u>	<u>29,893</u>	<u>24,655</u>	<u>291,718</u>	<u>-</u>	<u>3,026,388</u>
Excess (Deficiency) of revenue over expenditures	<u>(1,303,180)</u>	<u>(6,115)</u>	<u>1,224</u>	<u>(127,278)</u>	<u>-</u>	<u>(1,435,349)</u>
Other Financing Sources (Uses)						
391.01 Transfers in	350,000	-	29,000	134,490	-	513,490
511 Transfers out	(213,490)	-	-	-	-	(213,490)
391.03 Sale of municipal property	278	-	-	-	-	278
391.20 Long-term debt issued	250,000	-	-	-	-	250,000
Advances on line of credit	250,000	-	-	-	-	250,000
Total other financing sources (uses)	<u>636,788</u>	<u>-</u>	<u>29,000</u>	<u>134,490</u>	<u>-</u>	<u>800,278</u>
Net Change in Fund Balance	(666,392)	(6,115)	30,224	7,212	-	(635,071)
Fund Balance - Beginning, restated	182,144	8,162	166	328,481	32,887	551,840
Fund Balance - Ending	<u>\$ (484,248)</u>	<u>\$ 2,047</u>	<u>\$ 30,390</u>	<u>\$ 335,693</u>	<u>\$ 32,887</u>	<u>\$ (83,231)</u>

City of Groton
 Balance Sheet—Modified Cash Basis—Proprietary Funds
 December 31, 2015

	Enterprise Funds				Solid Waste Fund	Totals
	Water Fund	Sewer Fund	Electric Fund			
Assets						
Current Assets						
Cash and cash equivalents	\$ 104,586	\$ 4,621	\$ 38,483	\$ 2,777	\$ 150,467	
	<u>\$ 104,586</u>	<u>\$ 4,621</u>	<u>\$ 38,483</u>	<u>\$ 2,777</u>	<u>\$ 150,467</u>	
Net Position						
253.90 Unrestricted	104,586	4,621	38,483	2,777	150,467	
	<u>\$ 104,586</u>	<u>\$ 4,621</u>	<u>\$ 38,483</u>	<u>\$ 2,777</u>	<u>\$ 150,467</u>	

City of Groton
Statements of Revenues, Expenses and Changes in Fund Net Position—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2015 and 2014

	2015					2014						
	Enterprise Funds					Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals		
Operating Revenue												
370 Charges for goods and services	\$ 309,476	\$ 211,794	\$ 1,583,878	\$ 85,856	\$ 2,191,004	\$ 302,685	\$ 211,340	\$ 1,640,331	\$ 88,172	\$ 2,242,528		
Total operating revenue	309,476	211,794	1,583,878	85,856	2,191,004	302,685	211,340	1,640,331	88,172	2,242,528		
Operating Expenses												
410 Personal services	49,736	54,213	208,538	3,838	316,325	80,336	44,548	197,835	3,902	326,621		
420 Other current expense	17,094	70,436	95,488	1,423	184,441	51,056	25,444	88,390	4,224	169,114		
426.2 Materials	143,187	-	996,270	72,569	1,212,026	128,083	-	1,014,474	72,023	1,214,580		
430 Capital assets	-	-	-	-	-	8,767	3,002	2,805	1,028	15,602		
Total operating expenses	210,017	124,649	1,300,296	77,830	1,712,792	268,242	72,994	1,303,504	81,177	1,725,917		
Operating Income	99,459	87,145	283,582	8,026	478,212	34,443	138,346	336,827	6,995	516,611		
Nonoperating Revenue (Expense)												
361 Investment earnings	-	-	-	-	-	7	11	25	2	45		
441 Debt service (principal)	-	(500,352)	(178,008)	-	(678,360)	-	(60,527)	(55,226)	-	(115,753)		
442 Interest expense	-	(23,312)	(4,009)	-	(27,321)	-	(24,357)	(6,703)	-	(31,060)		
Total nonoperating revenue (expense)	-	(523,664)	(182,017)	-	(705,681)	7	(84,873)	(61,904)	2	(146,768)		
Income (Loss) Before Loan Advances	99,459	(436,519)	101,565	8,026	(227,469)	34,450	53,473	274,923	6,997	369,843		
391.1 Transfers in	-	381,000	30,000	-	411,000	-	50,000	-	-	50,000		
511 Transfers out	(120,000)	-	(200,000)	(20,000)	(340,000)	-	(50,000)	(300,000)	-	(350,000)		
391.03 Sale of municipal property	-	-	1,169	-	1,169	-	-	68,100	-	68,100		
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	6,328	-	-	-	6,328		
Change in Net Position	(20,541)	(55,519)	(67,266)	(11,974)	(155,300)	40,778	53,473	43,023	6,997	144,271		
Net Position - Beginning	125,127	60,140	105,749	14,751	305,767	84,349	6,667	62,726	7,754	161,496		
Net Position - Ending	\$ 104,586	\$ 4,621	\$ 38,483	\$ 2,777	\$ 150,467	\$ 125,127	\$ 60,140	\$ 105,749	\$ 14,751	\$ 305,767		

City of Groton
Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2015 and 2014

	2015					2014						
	Enterprise Funds					Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Totals		
Cash Flows from Operating Activities												
Receipt from customers	\$ 309,476	\$ 211,794	\$ 1,583,878	\$ 85,856	\$ 2,191,004	\$ 302,685	\$ 211,340	\$ 1,640,331	\$ 88,172	\$ 2,242,528		
Payments to suppliers	(160,281)	(70,436)	(1,091,758)	(73,992)	(1,396,467)	(179,139)	(25,444)	(1,102,864)	(76,247)	(1,383,694)		
Payments to employees	(49,736)	(54,213)	(208,538)	(3,838)	(316,325)	(80,336)	(44,548)	(197,835)	(3,902)	(326,621)		
Net Cash from Operating Activities	\$ 99,459	\$ 87,145	\$ 283,582	\$ 8,026	\$ 478,212	\$ 43,210	\$ 141,348	\$ 339,632	\$ 8,023	\$ 532,213		
Cash Flows from (used for) Noncapital and Related financing activity												
Transfers in	-	381,000	30,000	-	411,000	-	50,000	-	-	50,000		
Transfers out	(120,000)	-	(200,000)	(20,000)	(340,000)	-	(50,000)	(300,000)	-	(350,000)		
Sale of municipal property	-	-	1,169	-	1,169	-	-	68,100	-	68,100		
Net Cash from (used for) Noncapital and Related financing activities	(120,000)	381,000	(168,831)	(20,000)	72,169	-	-	(231,900)	-	(231,900)		
Cash Flows used for Capital and Related Financing activities												
Purchase of capital assets	-	-	-	-	-	(8,767)	(3,002)	(2,805)	(1,028)	(15,602)		
Principal paid on capital debt	-	(500,352)	(178,008)	-	(678,360)	-	(60,527)	(55,226)	-	(115,753)		
Compensation for loss or damage to capital assets	-	-	-	-	-	6,328	-	-	-	6,328		
Interest paid on capital debt	-	(23,312)	(4,009)	-	(27,321)	-	(24,357)	(6,703)	-	(31,060)		
Net Cash used for Capital and Related Financing activity	-	(523,664)	(182,017)	-	(705,681)	(2,439)	(87,886)	(64,734)	(1,028)	(156,087)		
Cash Flows from Investing Activities												
Interest earnings	-	-	-	-	-	7	11	25	2	45		
Net Cash from Investing Activities	-	-	-	-	-	7	11	25	2	45		
Net Change in Cash and Cash Equivalents	(20,541)	(55,519)	(67,266)	(11,974)	(155,300)	40,778	53,473	43,023	6,997	144,271		
Cash and Cash Equivalents - Beginning	125,127	60,140	105,749	14,751	305,767	84,349	6,667	62,726	7,754	161,496		
Cash and Cash Equivalents - Ending	\$ 104,586	\$ 4,621	\$ 38,483	\$ 2,777	\$ 150,467	\$ 125,127	\$ 60,140	\$ 105,749	\$ 14,751	\$ 305,767		
Cash and Cash Equivalents Consist of:												
Cash and cash equivalents	\$ 104,586	\$ 4,621	\$ 38,483	\$ 2,777	\$ 150,467	\$ 125,127	\$ 60,140	\$ 90,267	\$ 14,751	\$ 290,285		
Restricted deposits	-	-	-	-	-	-	-	15,482	-	15,482		
Reconciliation of Operating Income to Net Cash from Operating Activities												
Operating income	\$ 99,459	\$ 87,145	\$ 283,582	\$ 8,026	\$ 478,212	\$ 34,443	\$ 138,346	\$ 336,827	\$ 6,995	\$ 516,611		
Adjustments to reconcile operating income to net cash from operating activities:												
Purchase of capital assets	-	-	-	-	-	8,767	3,002	2,805	1,028	15,602		
Net Cash from Operating Activities	\$ 99,459	\$ 87,145	\$ 283,582	\$ 8,026	\$ 478,212	\$ 43,210	\$ 141,348	\$ 339,632	\$ 8,023	\$ 532,213		

City of Groton
Statement of Fiduciary Net Position – Modified Cash Basis
December 31, 2015 and 2014

	<u>2015</u> Family Crisis Fund	<u>2014</u> Family Crisis Fund
Private Purpose Trust:		
Assets:		
Cash	\$ 952	\$ 2,708
Total Assets	<u>\$ 952</u>	<u>\$ 2,708</u>
Net Position	<u>\$ 952</u>	<u>\$ 2,708</u>

City of Groton
Statement of Changes in Fiduciary Net Position – Modified Cash Basis
December 31, 2015 and 2014

	<u>2015</u> Family Crisis Fund	<u>2014</u> Family Crisis Fund
Private Purpose Trust:		
Additions:		
Contributions and donations	\$ 6,021	\$ 4,318
Other	88	40
Interest received	1	2
Total additions	<u>\$ 6,110</u>	<u>\$ 4,360</u>
Deductions:		
Family needs	<u>\$ 7,866</u>	<u>\$ 5,785</u>
Total deductions	<u>\$ 7,866</u>	<u>\$ 5,785</u>
Change in net position	\$ (1,756)	\$ (1,425)
Net position beginning	<u>2,708</u>	<u>4,133</u>
Net position ending	<u>\$ 952</u>	<u>\$ 2,708</u>

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the City as a whole. They include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and financing. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year or because of public interest in the fund's operations.

The funds of the City of Groton are described below:

Governmental Funds

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

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

3rd Cent Sales Tax Fund – A fund allowed to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales (SDCL 10-52-8). The 3rd cent can be spent on the athletic facilities of the city. The 3rd cent sales tax fund is a major fund.

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

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

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

Capital Project Funds – capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds for individuals, private organizations, or other governments). The City has the following capital project funds:

West Ditch Drainage Project Fund – The City uses a capital project fund to account for a \$20,000 grant from James River Water Development District and donations of \$11,500 for west ditch drainage improvements. The west ditch drainage project fund is a major fund.

2013 Curb & Gutter Capital Improvement Fund – The City uses a capital project fund to account for contributions from property owners of \$240,000 for new curb and gutters which cost \$242,608 on streets that front their property. The 2013 curb & gutter capital improvement fund is a major fund.

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

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

Proprietary Funds

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

The City reports the following enterprise funds:

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

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

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

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

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

Fiduciary Funds are never considered to be major funds.

Agency funds are funds used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds are used to accumulate resources entrusted to the City, which are then disbursed upon order from the applicable agency. Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City maintains a sales tax fund, federal gas tax fund, 8 payroll liability clearing funds, and 3 customer deposit/clearing funds as fiduciary agency funds.

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

Basis of Accounting

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental and business-type activities are presented using a 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 cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) 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. The only modification to the cash basis of accounting implemented by the City in these financial statements is the recording of long-term investments in certificates of deposit (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost and inter-fund advances and borrowings arising from the use of a pooled cash account.

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.

If the City applied USGAAP, 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. Deposits and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

E. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

- The City’s interfund receivables and payables were eliminated as of December 31, 2015.
- The City did not have internal service fund activity which required elimination as of December 31, 2015.

F. Capital Assets

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

G. Long-Term Liabilities

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

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

H. Program Revenues

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

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

I. Proprietary Funds Revenue and Expense Classifications

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

J. Cash and Cash Equivalents

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

K. Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

L. Application of Net Position

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

M. Fund Balance Classification Policies and Procedures

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. An assigned fund balance is established by City Council through adoption of a resolution designating a fund balance is intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

N. Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

Note 2 - Deposits and Investments

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

Deposits

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

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2015, the City maintained their deposits in in-state financial institutions which were properly collateralized in accordance with SDCL 4-6A-3.

The actual bank balances at December 31, 2015 are as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 231,592
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	300,524
	\$ 532,116

The City's carrying amount of deposits at December 31, 2015 is as follows:

Cash and cash equivalents	\$ 505,231
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Investments

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

As of December 31, 2015, the City did not hold any investments as defined by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. The City also does not have a formal investment policy that addresses custodial credit risk, interest rate risk or credit risk.

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

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

Note 3 - Property Taxes

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

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

Note 4 - Significant Contingencies - Litigation

At December 31, 2015, the City was not involved in any litigation that would be material to the financial statements.

Note 5 - Restricted Net Position

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
General Fund	Contractual Agreement	\$ 10,247
3rd Penny Sales Tax Fund	State Law	1,919
Debt Service Fund	Contractual Agreement	16,420

Note 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015, the City managed its risks as follows:

Employee Health Insurance

The City purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for general liability, official's liability, automobile liability and law enforcement liability.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$500,000 to the upper limit. The City carries the following deductibles for the coverages listed above:

Coverage	Deductible
General liability	\$ -
Officials liability	500
Automobile liability	-
Law enforcement liability	2,000

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Worker's Compensation

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits

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

During the year ended December 31, 2015, no claims for unemployment benefits were paid. At December 31, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next year.

Note 7 - Retirement Plan

Employees of the City participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7% prior to 2008 and 1.55% thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more — 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% — 2.1% COLA

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions made to the SDRS for the years ended December 31, 2015, 2014 and 2013 were \$50,982, \$49,707, and \$69,369, respectively, equal to the required contributions each year.

Pension Assets

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the City as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 4,863,568
Less proportionate share of total pension liability	<u>4,672,154</u>
Proportionate share of net pension asset	<u><u>\$ 191,414</u></u>

The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was .0451311%, which is a decrease of .0005% from its proportion measured as of June 30, 2014.

Actuarial Assumptions

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of Asset to Changes in the Discount Rate

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension asset (liability)	\$ (481,787)	\$ 191,414	\$ 740,351

Pension Plan Fiduciary Net Position

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

Note 8 - Interfund Transfers

	Transfers To:				
	General Fund	Debt Service Fund	Sewer Fund	Electric Fund	Airport Fund
2015					
Transfers From:					
General Fund	\$ -	\$ 1,216,384	\$ 381,000	\$ 30,000	\$ -
Debt Service Fund	12,946	-	-	-	-
Water Fund	120,000	-	-	-	-
Electric Fund	200,000	-	-	-	-
Solid Waste Fund	20,000	-	-	-	-
2014					
Transfers From:					
General Fund	\$ -	\$ 134,400	\$ 50,000	\$ -	\$ 29,000
Electric Fund	300,000	-	-	-	-
Sewer Fund	50,000	-	-	-	-

Note 9 - Beneficial Interest

The Groton Community Fund was established as an endowment at the Lutheran Community Foundation in 1997. The City has a beneficial interest in the Foundation and receives annual distributions from the Foundation. Holdings of the Groton Community Fund were \$196,855 at December 31, 2015.

Note 10 - Related Party Activity

The City uses the services of business entities owned by members of the City Council. The total amounts paid were \$4,799 and \$3,591 in 2014 and 2015, respectively.



Supplementary Information
December 31, 2015 and 2014
City of Groton

City of Groton
Schedule of Changes in Notes and Bonds Payable
Years Ended December 31, 2015 and 2014

Notes and Bonds Payable	Notes and Bonds Payable 1/1/2015	Add New Debt	Less Debt Retired	Notes and Bonds Payable 12/31/2015
Governmental Long-Term Debt				
231.02 Revenue bonds				
RR Crossing Sewer CWSRF 8	\$ 123,279	\$ -	\$ 14,729	\$ 108,550
West Creek Sewer CWSRF 9	203,762	-	23,516	180,246
231.03 Special assessment bonds				
2006 Curb and Gutter	30,870	-	15,072	15,798
Bond refunded in 2015	1,904,101	3,055,000	2,069,100	2,890,001
Total governmental long-term debt	<u>2,262,012</u>	<u>3,055,000</u>	<u>2,122,417</u>	<u>3,194,595</u>
Enterprise Long-Term Debt				
231.02 Revenue Bonds				
Lagoon CWSRF 3	137,795	-	31,802	105,993
Bonds refunded in 2015	646,685	-	646,685	-
Total enterprise long-term debt	<u>\$ 784,480</u>	<u>\$ -</u>	<u>\$ 678,487</u>	<u>\$ 105,993</u>
Notes and Bonds Payable	Notes and Bonds Payable 1/1/2014	Add New Debt	Less Debt Retired	Notes and Bonds Payable 12/31/2014
Governmental Long-Term Debt				
231.02 Revenue bonds				
RR Crossing Sewer CWSRF 8	\$ 137,681	\$ -	\$ 14,402	\$ 123,279
West Creek Sewer CWSRF 9	226,756	-	22,994	203,762
231.03 Special Assessment Bonds				
2004 & 2005 Curb and Gutter	37,127	-	37,127	-
2006 Curb and Gutter	45,250	-	14,380	30,870
Bonds refunded in 2015	1,893,132	250,000	239,031	1,904,101
Total governmental long-term debt	<u>2,339,946</u>	<u>250,000</u>	<u>327,934</u>	<u>2,262,012</u>
Enterprise Long-Term Debt				
231.02 Revenue bonds				
Lagoon CWSRF 3	167,981	-	30,186	137,795
Bonds refunded in 2015	732,252	-	85,567	646,685
Total enterprise long-term debt	<u>\$ 900,233</u>	<u>\$ -</u>	<u>\$ 115,753</u>	<u>\$ 784,480</u>

City of Groton
Schedules of Net Pension Liability (Asset) and Contributions
December 31, 2015 and 2014

Pension Plan	Fiscal Year Ending *	City's Proportion of the Net Pension Asset	City's Proportionate Share of the Net Pension Asset (a)	City's Covered-Employee Payroll (b)	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
SDRS	6/30/2014	0.0456%	\$ 328,834	\$ 704,870	46.7%	107.3%
SDRS	6/30/2015	0.0451%	191,414	734,881	26.0%	104.1%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability asset which is 6/30.

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
SDRS	12/31/2014	\$ 48,381	\$ 48,381	-	\$ 806,350	6.0%
SDRS	12/31/2015	50,982	50,982	-	849,700	6.0%

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2015

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 609,000	\$ 609,000	\$ 633,886	\$ 24,886
313 General sales and use taxes	540,000	540,000	465,093	(74,907)
317 Excise tax	1,300	1,300	1,058	(242)
319 Penalties and interest on delinquent taxes	2,000	2,000	1,111	(889)
Total taxes	<u>1,152,300</u>	<u>1,152,300</u>	<u>1,101,148</u>	<u>(51,152)</u>
320 Licenses and permits	<u>10,700</u>	<u>10,700</u>	<u>10,987</u>	<u>287</u>
330 Intergovernmental revenue				
334 State grants	181,500	181,500	23,012	(158,488)
335 State shared revenue				
335.01 Bank franchise tax	2,100	2,100	2,289	189
335.02 Motor vehicle commerial prorated	3,200	3,200	3,214	14
335.03 Liquor tax reversion	8,500	8,500	9,066	566
335.04 Motor vehicle licenses (5%)	18,000	18,000	20,156	2,156
335.08 Local government highway and bridge fund	28,000	28,000	34,015	6,015
338 County shared revenue				
338.01 County road tax (25%)	890	890	101	(789)
338.03 County wheel tax	1,100	1,100	942	(158)
Total intergovernmental revenue	<u>243,290</u>	<u>243,290</u>	<u>92,795</u>	<u>(150,495)</u>
340 Charges for good and services				
341 General government	830	830	1,196	366
342 Public safety	700	700	1,260	560
343 Highways and streets	2,600	2,600	18,515	15,915
344 Sanitation	150	150	-	(150)
345 Health	10	10	229	219
346 Culture and recreation	54,640	54,640	72,762	18,122
348 Cemetery	2,200	2,200	2,575	375
Total charges for goods and services	<u>61,130</u>	<u>61,130</u>	<u>96,537</u>	<u>35,407</u>
350 Fines and forfeits				
351 Court fines and costs	450	450	499	49
352 Animal control fines	400	400	990	590
354 Library	40	40	30	(10)
Total fines and forfeits	<u>890</u>	<u>890</u>	<u>1,519</u>	<u>629</u>
360 Miscellaneous revenue				
361 Investment earnings	30	30	547	517
367 Contributions and donations from private sources	52,510	52,510	27,196	(25,314)
368 Liquor operating agreement income	9,200	9,200	14,998	5,798
369 Other	2,000	2,000	626	(1,374)
Total miscellaneous revenue	<u>63,740</u>	<u>63,740</u>	<u>43,367</u>	<u>(20,373)</u>
Total revenues	<u>1,532,050</u>	<u>1,532,050</u>	<u>1,346,353</u>	<u>(185,697)</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2015

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	12,890	12,890	11,643	1,247
411.5 Contingency amount transferred	-	-	-	-
412 Executive	6,950	6,950	6,005	945
413 Elections	810	810	37	773
414 Financial administration	250,670	362,880	355,448	7,432
419 Other	26,670	26,670	10,326	16,344
Total general government	<u>297,990</u>	<u>410,200</u>	<u>383,459</u>	<u>26,741</u>
420 Public safety				
421 Police	243,400	355,890	354,081	1,809
429 Other protection	210	1,000	991	9
Total public safety	<u>243,610</u>	<u>356,890</u>	<u>355,072</u>	<u>1,818</u>
430 Public works				
431 Highways and streets	714,560	865,370	651,727	213,643
432 Sanitation	8,000	8,000	263	7,737
437 Cemeteries	15,650	15,650	12,209	3,441
439 Transit	3,000	3,000	1,942	1,058
Total public works	<u>741,210</u>	<u>892,020</u>	<u>666,141</u>	<u>225,879</u>
440 Health and Welfare:				
441 Health	3,710	3,780	3,490	290
Total health and welfare	<u>3,710</u>	<u>3,780</u>	<u>3,490</u>	<u>290</u>
450 Culture and recreation				
451 Recreation	165,730	198,380	152,667	45,713
452 Parks	19,200	19,200	7,498	11,702
455 Libraries	1,130	2,630	2,024	606
456 Auditorium	6,580	6,580	2,359	4,221
Total culture and recreation	<u>192,640</u>	<u>226,790</u>	<u>164,548</u>	<u>62,242</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	2,000	7,000	6,314	686
Total conservation and development	<u>2,000</u>	<u>7,000</u>	<u>6,314</u>	<u>686</u>
470 Debt service	126,980	1,032,380	1,027,460	4,920
490 Miscellaneous				
492 Other expenditures	1,400	1,400	1,135	265
493 Liquor operating agreements	60	60	(69)	129
Total miscellaneous	<u>1,460</u>	<u>1,460</u>	<u>1,066</u>	<u>394</u>
Total expenditures	<u>1,609,600</u>	<u>2,930,520</u>	<u>2,607,550</u>	<u>322,970</u>
Other Financing Sources (Uses)				
391.01 Transfers in	-	-	352,946	352,946
511 Transfers out	(125,690)	(125,690)	(1,627,386)	(1,501,696)
391.2 Long-term debt issued	-	-	3,055,000	3,055,000
Advances on line of credit	-	-	240,000	240,000
Total other financing sources (uses)	<u>(125,690)</u>	<u>(125,690)</u>	<u>2,020,560</u>	<u>2,146,250</u>
Excess of Revenue over (under) Expenditures	(203,240)	(1,524,160)	759,363	2,283,523
Fund Balance - Beginning	(484,248)	(484,248)	(484,248)	-
Fund Balance - Ending	<u>\$ (687,488)</u>	<u>\$ (2,008,408)</u>	<u>\$ 275,115</u>	<u>\$ 2,283,523</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 607,700	\$ 607,700	\$ 615,591	\$ 7,891
313 General sales and use taxes	525,000	525,000	507,880	(17,120)
319 Penalties and interest on delinquent taxes	1,000	1,000	564	(436)
Total taxes	<u>1,133,700</u>	<u>1,133,700</u>	<u>1,124,035</u>	<u>(9,665)</u>
320 Licenses and permits	<u>11,200</u>	<u>11,200</u>	<u>12,043</u>	<u>843</u>
330 Intergovernmental revenue				
334 State grants	123,050	123,050	37,267	(85,783)
335 State shared revenue				
335.01 Bank franchise tax	1,600	1,600	2,163	563
335.02 Motor vehicle commercial prorated	2,000	2,000	3,222	1,222
335.03 Liquor tax reversion	8,500	8,500	9,377	877
335.04 Motor vehicle licenses (5%)	12,500	12,500	18,232	5,732
335.08 Local government highway and bridge fund	25,000	25,000	33,488	8,488
338 County shared revenue				
338.01 County road tax (25%)	890	890	-	(890)
338.03 County wheel tax	2,300	2,300	1,029	(1,271)
Total intergovernmental revenue	<u>175,840</u>	<u>175,840</u>	<u>104,778</u>	<u>(71,062)</u>
340 Charges for good and services				
341 General government	930	930	1,533	603
342 Public safety	700	700	1,031	331
343 Highways and streets	2,700	2,700	31,196	28,496
344 Sanitation	100	100	450	350
345 Health	10	10	50	40
346 Culture and recreation	60,250	60,250	62,649	2,399
348 Cemetery	2,860	2,860	3,025	165
Total charges for goods and services	<u>67,550</u>	<u>67,550</u>	<u>99,934</u>	<u>32,384</u>
350 Fines and forfeits				
351 Court fines and costs	550	550	42	(508)
352 Animal control fines	-	-	482	482
353 Parking meter fines	-	-	630	630
354 Library	20	20	48	28
Total fines and forfeits	<u>570</u>	<u>570</u>	<u>1,202</u>	<u>632</u>
360 Miscellaneous revenue				
361 Investment earnings	40	40	540	500
367 Contributions and donations from private sources	32,030	32,030	20,785	(11,245)
368 Liquor operating agreement income	10,960	10,960	12,405	1,445
369 Other	2,400	2,400	1,220	(1,180)
Total miscellaneous revenue	<u>45,430</u>	<u>45,430</u>	<u>34,950</u>	<u>(10,480)</u>
Total revenues	<u>1,434,290</u>	<u>1,434,290</u>	<u>1,376,942</u>	<u>(57,348)</u>

City of Groton
 Budgetary Comparison Schedules—General Fund
 Year Ended December 31, 2014

	2014			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	13,650	13,670	11,371	2,299
411.5 Contingency	60,000	60,000		
amount transferred	-	(60,000)		-
412 Executive	7,490	7,510	6,201	1,309
413 Elections	1,310	1,310	819	491
414 Financial administration	300,530	301,500	288,571	12,929
419 Other	35,090	35,090	35,850	(760)
Total general government	<u>418,070</u>	<u>359,080</u>	<u>342,812</u>	<u>16,268</u>
420 Public safety				
421 Police	332,190	335,620	334,076	1,544
429 Other protection	210	2,380	2,261	119
Total public safety	<u>332,400</u>	<u>338,000</u>	<u>336,337</u>	<u>1,663</u>
430 Public works				
431 Highways and streets	1,369,460	1,658,290	1,687,605	(29,315)
432 Sanitation	4,000	4,000	-	4,000
437 Cemeteries	31,090	31,090	10,684	20,406
439 Transit	3,000	3,000	2,230	770
Total public works	<u>1,407,550</u>	<u>1,696,380</u>	<u>1,700,519</u>	<u>(4,139)</u>
440 Health and welfare				
441 Health	5,590	7,670	7,411	259
Total health and welfare	<u>5,590</u>	<u>7,670</u>	<u>7,411</u>	<u>259</u>
450 Culture and recreation				
451 Recreation	113,150	182,900	142,232	40,668
452 Parks	64,000	64,000	12,051	51,949
455 Libraries	2,350	1,360	558	802
456 Auditorium	15,780	15,820	3,472	12,348
Total culture and recreation	<u>195,280</u>	<u>264,080</u>	<u>158,313</u>	<u>105,767</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	17,580	17,580	1,494	16,086
Total conservation and development	<u>17,580</u>	<u>17,580</u>	<u>1,494</u>	<u>16,086</u>
470 Debt service	126,970	126,970	132,143	(5,173)
490 Miscellaneous				
492 Other expenditures	1,400	1,400	1,059	341
493 Liquor operating agreements	90	90	34	56
Total miscellaneous	<u>1,490</u>	<u>1,490</u>	<u>1,093</u>	<u>397</u>
Total expenditures	<u>2,504,930</u>	<u>2,811,250</u>	<u>2,680,122</u>	<u>131,128</u>
Other Financing Sources (Uses)				
391.01 Transfers in	134,490	134,490	350,000	215,510
511 Transfers out	-	-	(213,490)	(213,490)
391.03 Sale of municipal property capital assets	-	-	278	278
391.2 Long-term debt issued	-	-	250,000	250,000
Advances on line of credit	-	-	250,000	250,000
Total other financing sources (uses)	<u>134,490</u>	<u>134,490</u>	<u>636,788</u>	<u>502,298</u>
Excess of Revenue under Expenditures	(936,150)	(1,242,470)	(666,392)	576,078
Fund Balance - Beginning, restated	182,144	182,144	182,144	-
Fund Balance - Ending	<u>\$ (754,006)</u>	<u>\$ (1,060,326)</u>	<u>\$ (484,248)</u>	<u>\$ 576,078</u>

City of Groton
 Budgetary Comparison Schedules—3rd Penny Sales Tax Fund
 Year Ended December 31, 2015

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 20,000	\$ 20,000	\$ 24,030	\$ 4,030
314 Gross receipts business taxes	-	-	-	-
Total taxes	<u>20,000</u>	<u>20,000</u>	<u>24,030</u>	<u>4,030</u>
330 Intergovernmental revenue				
331 Federal Grants	-	-	-	-
Total Intergovernment revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
360 Miscellaneous revenue				
361 Investment earnings	-	-	-	-
Total miscellaneous revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>20,000</u>	<u>20,000</u>	<u>24,030</u>	<u>4,030</u>
Expenditures				
450 Culture and recreation				
451 Recreation	21,530	24,170	24,158	12
452 Parks	-	-	-	-
Total expenditures	<u>21,530</u>	<u>24,170</u>	<u>24,158</u>	<u>12</u>
Excess of Revenue over (under) Expenditures	(1,530)	(4,170)	(128)	4,042
Fund Balance - Beginning	<u>2,047</u>	<u>2,047</u>	<u>2,047</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 517</u>	<u>\$ (2,123)</u>	<u>\$ 1,919</u>	<u>\$ 4,042</u>

City of Groton
 Budgetary Comparison Schedules—3rd Penny Sales Tax Fund
 Year Ended December 31, 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	\$ 18,000	\$ 18,000	\$ 23,778	\$ 5,778
Total taxes	18,000	18,000	23,778	5,778
330 Intergovernmental revenue				
331 Federal Grants	-	-	-	-
Total Intergovernment revenue	-	-	-	-
360 Miscellaneous revenue				
361 Investment earnings	-	-	-	-
Total miscellaneous revenue	-	-	-	-
Total revenue	18,000	18,000	23,778	5,778
Expenditures				
450 Culture and recreation				
451 Recreation	21,530	29,900	29,893	7
452 Parks	-	-	-	-
Total expenditures	21,530	29,900	29,893	7
Excess of Revenue over (under) Expenditures	(3,530)	(11,900)	(6,115)	5,785
Fund Balance - Beginning	8,162	8,162	8,162	-
Fund Balance - Ending	\$ 4,632	\$ (3,738)	\$ 2,047	\$ 5,785

Note 1 - Budgets and Budgetary Accounting

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

1. At the first regular Board meeting in September of each year or within ten days thereafter, the City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in Number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City 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.

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

The City did not encumber any amounts at December 31, 2015.

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

Note 2 - Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared on the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances, however; in the budgetary schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

Note 3 - Pension Schedules

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only one year reported in the supplementary information, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



CPAs & BUSINESS ADVISORS

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

The City Commission
City of Groton
Groton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Groton as of December 31, 2015, and for each of the years in the two year period then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 4, 2016. Our report was an adverse opinion because the statements included only the primary government and not the City's legally separate component unit. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a significant deficiency, 2014-A and 2015-A.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Groton's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
October 4, 2016

Section II – Findings Related to the Financial Statements

Finding 2014-A and 2015-A - Financial Statements and Footnotes are Prepared by the Auditor

Significant Deficiency

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

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

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

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

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

Views of Responsible Officials: Management agrees with the finding.

Findings Relating to the Financial Statements

2012-A and 2013-A – Interest of Local Officials

Finding Summary: In 2012 the City requested bids for gravel purchases of more than \$5,000 and only one bid was received from a member of the City Council. In 2013 the City requested bids for dozer dump services of more than \$5,000 and only one bid was received from a member of the City Council. These requests for bids were not posted to the Central Bid Exchange two weeks prior to their award to satisfy the procedures established by SDCL 6-1-2.1 for accepting a bid from a member of the City Council when only one bid is received.

Status: Corrective action was taken.

2012-B and 2013-B – Capital Asset Records

Finding Summary: Accounting standards established by SDCL 4-11-6 requires adequate records to support a city's capital assets, even if on the cash basis of accounting. The City does not have adequate capital asset records.

Status: Corrective action was taken.