

CITY OF MARTIN SOUTH DAKOTA

Financial Statements

December 31, 2023



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

Board of Trustees
City of Martin, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Martin, South Dakota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Management's Response as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

City of Martin, South Dakota's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. As required by South Dakota codified law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

June 4, 2024

City of Martin, South Dakota
Schedule of Findings and Management's Response
December 31, 2023

Material Weakness

Internal Control over Financial Reporting

Drafting the Financial Statements and Related Notes

2023-001 *Condition:* The City requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and accompanying notes is the responsibility of management. The City should have an internal control system in place related to oversight and review of the preparation of the financial statements.

Cause: The City does not have an internal control system in place to prepare the financial statements and related notes. This condition is common in an organization of this size due to the limited number of office staff.

Effect: The City engages its auditor to draft the financial statements and related notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present.

Repeat of Prior Year Finding: This finding was reported in the prior year as item 2022-02.

Auditor's Recommendation: We recommend management develop a system of internal control to ensure proper reporting of financial statements and the notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

Management's Response: Management agrees with the finding. This is a common issue with governments of this size and management feels comfortable with this practice. The City will implement suggested controls wherever cost-effective. Management does provide the auditors with a trial balance and supporting schedules that are used in the preparation of the financial statements.

Responsible Parties: Finance Officer

Time Frame: Ongoing

Independent Auditor's Report

Mayor and City Council
City of Martin, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the City of Martin, South Dakota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedules, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and Schedule of Pension Contributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The aforementioned supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the supplementary information which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The List of City Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The list of City Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

June 4, 2024

BASIC FINANCIAL STATEMENTS

City of Martin, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,431,522	\$ 1,536,182	\$ 3,967,704
Restricted Assets:			
Cash and Cash Equivalents	-	104,345	104,345
Certificates of Deposit	-	<u>25,000</u>	<u>25,000</u>
TOTAL ASSETS	<u>\$ 2,431,522</u>	<u>\$ 1,665,527</u>	<u>\$ 4,097,049</u>
NET POSITION			
Restricted for:			
Debt Service	\$ -	\$ 91,262	\$ 91,262
Customer Deposits	-	38,083	38,083
Hodson Park	24,272	-	24,272
Crime Stoppers	2,513	-	2,513
City Improvements	478,094	-	478,094
Unrestricted	<u>1,926,643</u>	<u>1,536,182</u>	<u>3,462,825</u>
TOTAL NET POSITION	<u>\$ 2,431,522</u>	<u>\$ 1,665,527</u>	<u>\$ 4,097,049</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position		
				Primary Government		Total
				Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 208,573	\$ 217,097	\$ -	\$ 8,524	\$ -	\$ 8,524
Public Safety	397,663	-	-	(397,663)	-	(397,663)
Public Works	870,630	22,040	578,906	(269,684)	-	(269,684)
Conservation and Development	9,015	-	-	(9,015)	-	(9,015)
Culture and Recreation	164,805	12,401	-	(152,404)	-	(152,404)
Total Governmental Activities	<u>1,650,686</u>	<u>251,538</u>	<u>578,906</u>	<u>(820,242)</u>	<u>-</u>	<u>(820,242)</u>
Business-type Activities:						
Water	292,734	382,118	-	-	89,384	89,384
Sewer	125,444	142,011	-	-	16,567	16,567
Sanitation	115,195	111,886	-	-	(3,309)	(3,309)
Total Business-type Activities	<u>533,373</u>	<u>636,015</u>	<u>-</u>	<u>-</u>	<u>102,642</u>	<u>102,642</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,184,059</u>	<u>\$ 887,553</u>	<u>\$ 578,906</u>	<u>(820,242)</u>	<u>102,642</u>	<u>(717,600)</u>
GENERAL RECEIPTS						
Taxes:						
Sales Taxes				791,272	-	791,272
Property Taxes				186,378	-	186,378
State Shared Receipts				25,201	-	25,201
County Shared Receipts				50,980	-	50,980
Interest Earnings				115,322	17,500	132,822
Miscellaneous Receipts				46,226	-	46,226
Total General Receipts				<u>1,215,379</u>	<u>17,500</u>	<u>1,232,879</u>
CHANGE IN NET POSITION				395,137	120,142	515,279
NET POSITION, BEGINNING OF YEAR				<u>2,036,385</u>	<u>1,545,385</u>	<u>3,581,770</u>
NET POSITION, END OF YEAR				<u>\$ 2,431,522</u>	<u>\$ 1,665,527</u>	<u>\$ 4,097,049</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2023

	General Fund	BBB Tax	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,391,182	\$ 40,340	\$ 2,431,522
TOTAL ASSETS	<u>\$ 2,391,182</u>	<u>\$ 40,340</u>	<u>\$ 2,431,522</u>
FUND BALANCE			
Restricted for:			
Hodson Park	\$ 24,272	\$ -	\$ 24,272
Crime Stoppers	2,513	-	2,513
City Improvements	437,754	40,340	478,094
Assigned For:			
Swimming Pool	2,371	-	2,371
Capital Street Improvements	664,167	-	664,167
Unassigned	<u>1,260,105</u>	<u>-</u>	<u>1,260,105</u>
TOTAL FUND BALANCE	<u>\$ 2,391,182</u>	<u>\$ 40,340</u>	<u>\$ 2,431,522</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2023

	General Fund	BBB Tax	Total Governmental Funds
GENERAL RECEIPTS			
Property Taxes	\$ 186,378	\$ -	\$ 186,378
Sales and Use Taxes	728,616	62,656	791,272
Licenses and Permits	29,977	-	29,977
Intergovernmental Receipts			
Federal Payments in Lieu of Taxes	8,698	-	8,698
State Shared Revenues	16,503	-	16,503
County Shared Revenues	50,980	-	50,980
State and Federal Grants	578,906	-	578,906
Charges for Services	221,561	-	221,561
Interest Earnings	115,024	298	115,322
Miscellaneous Revenue	46,226	-	46,226
	<u>1,982,869</u>	<u>62,954</u>	<u>2,045,823</u>
Total Revenues			

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Modified Cash Basis - Governmental Funds (Continued)
For the Year Ended December 31, 2023

	General Fund	BBB Tax	Total Governmental Funds
DISBURSEMENTS			
General Government:			
Legislative	\$ 14,755	\$ -	\$ 14,755
Attorney	37,490	-	37,490
Elections	51	-	51
Financial Administration	99,837	-	99,837
Other General Government	32,052	-	32,052
Public Safety:			
Police	284,512	-	284,512
Fire	31,980	-	31,980
Protective Inspection	69,138	-	69,138
Public Works:			
Highways and Streets	137,620	-	137,620
Street Development	3,670	-	3,670
Snow Removal	43,892	-	43,892
Street Lights	43,870	-	43,870
Airport	72,172	-	72,172
Culture and Recreation:			
Parks	73,081	-	73,081
Markota	8,102	-	8,102
Pool	25,281	-	25,281
Golf	27,081	-	27,081
Museums	5,277	-	5,277
Conservation and Development	-	9,015	9,015
Capital Outlay	619,777	-	619,777
Debt Service - Principal	10,998	-	10,998
Debt Service - Interest	1,035	-	1,035
Total Disbursements	<u>1,641,671</u>	<u>9,015</u>	<u>1,650,686</u>
Excess of Revenues over Expenditures	<u>341,198</u>	<u>53,939</u>	<u>395,137</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	406,198	(11,061)	395,137
FUND BALANCE, BEGINNING OF YEAR	<u>1,984,984</u>	<u>51,401</u>	<u>2,036,385</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,391,182</u>	<u>\$ 40,340</u>	<u>\$ 2,431,522</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Statement of Net Position - Modified Cash Basis - Proprietary Funds
December 31, 2023

	Water Fund	Sewer Fund	Sanitation Fund	Total Proprietary Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,059,448	\$ 459,175	\$ 17,559	\$ 1,536,182
Restricted Cash	35,237	48,357	20,751	104,345
Restricted Certificates of Deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
TOTAL ASSETS	<u>\$ 1,119,685</u>	<u>\$ 507,532</u>	<u>\$ 38,310</u>	<u>\$ 1,665,527</u>
NET POSITION				
Restricted:				
Debt Service	\$ 22,154	\$ 48,357	\$ 20,751	\$ 91,262
Customer Deposits	38,083	-	-	38,083
Unrestricted	<u>1,059,448</u>	<u>459,175</u>	<u>17,559</u>	<u>1,536,182</u>
TOTAL NET POSITION	<u>\$ 1,119,685</u>	<u>\$ 507,532</u>	<u>\$ 38,310</u>	<u>\$ 1,665,527</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Statement of Receipts, Disbursements, and Changes in Net Position -
Modified Cash Basis - Proprietary Funds
For the Year Ended December 31, 2023

	Water Fund	Sewer Fund	Sanitation Fund	Total Proprietary Funds
OPERATING RECEIPTS				
Charges for Service	\$ -	\$ 141,188	\$ 99,731	\$ 240,919
Revenues Pledged for Debt Repayment	379,796	-	-	379,796
Miscellaneous Receipts	2,322	823	12,155	15,300
Total Operating Receipts	<u>382,118</u>	<u>142,011</u>	<u>111,886</u>	<u>636,015</u>
OPERATING DISBURSEMENTS				
Personal Services	117,895	73,210	10,549	201,654
Utilities	30,754	750	474	31,978
Materials (Cost of Goods Sold)	51,988	16,601	98,076	166,665
Other Current Disbursements	29,124	8,427	6,096	43,647
Total Operating Disbursements	<u>229,761</u>	<u>98,988</u>	<u>115,195</u>	<u>443,944</u>
OPERATING INCOME (LOSS)	<u>152,357</u>	<u>43,023</u>	<u>(3,309)</u>	<u>192,071</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Capital Outlays	(1,500)	(1,500)	-	(3,000)
Principal Payments	(43,289)	(19,893)	-	(63,182)
Interest Payments	(18,184)	(5,063)	-	(23,247)
Interest Earnings	12,603	4,897	-	17,500
Net Nonoperating Receipts (Disbursements)	<u>(50,370)</u>	<u>(21,559)</u>	<u>-</u>	<u>(71,929)</u>
CHANGE IN NET POSITION	101,987	21,464	(3,309)	120,142
NET POSITION, BEGINNING	<u>1,017,698</u>	<u>486,068</u>	<u>41,619</u>	<u>1,545,385</u>
NET POSITION, ENDING	<u>\$ 1,119,685</u>	<u>\$ 507,532</u>	<u>\$ 38,310</u>	<u>\$ 1,665,527</u>

The accompanying notes are an integral part of this statement.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position - Modified Cash Basis and the Statement of Activities - Modified Cash Basis display information about the City. These statements include the financial activities of the overall government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City has no fiduciary funds.

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

Fund Financial Statements:

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

1. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the City are described below:

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging, and Dining Gross Receipts Tax (BBB) Fund - To account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions. This tax shall be used for land acquisition, architectural fees, construction costs, payments for the civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and promotion and advertising of the City per SDCL 10-52A-2. This fund was established at the direction of the governing body through a local ordinance. This 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 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, disbursements paid, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Water Fund - Financed primarily by user charges this fund accounts for the operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This fund is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). This fund is a major fund.

Sanitation Fund - Financed primarily by user charges, this fund accounts for the operation of the solid waste program (SDCL 9-32-11). This fund is a major fund.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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” receipts and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City follows the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, transactions are recorded when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus

Government-wide Financial Statements:

In the Statement of Net Position - Modified Cash Basis and the Statement of Activities - Modified Cash Basis, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

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

Basis of Accounting

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

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

Acceptable modifications to the modified cash basis of accounting implemented by the City in these financial statements include the recording of investments (certificates of deposits with terms to maturity more than 90 days from the date of acquisition) arising from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related disbursements (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 accounting principles generally accepted in the United States of America, 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.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. DEPOSITS AND INVESTMENTS

The City pools its cash resources for deposit purposes. The proprietary fund has access to its cash resources on demand.

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 the date of acquisition of three months or less.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at the date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

The City maintains restricted cash deposits for the debt reserves required by debt agreements and for customer utility deposits.

E. CAPITAL ASSETS

Under the modified cash basis of accounting, the City’s capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash, in the government-wide financial statements. The fund financial statements and the proprietary financial statements report such purchases as capital outlays.

Under the modified cash basis of accounting, cash payments for lease activities are a cost of the program for which they were acquired and the amount paid in cash in both the government-wide and fund financial statements. Right-to-use lease assets arising from leasing activities are not reported as assets in the modified cash basis financial statements.

F. LONG-TERM LIABILITIES

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

Long-term debt arising from cash transactions of all funds is not reported as liabilities in the modified cash basis financial statements.

Under the modified cash basis of accounting, cash payments for lease activities are recorded as expenditures in the function benefitting from the use of the leased asset. Allocations are made where appropriate. Lease liabilities arising from leasing activities are not reported as liabilities in the modified cash basis financial statements.

G. PROGRAM RECEIPTS

Program receipts derive directly from the program itself or from parties other than the City’s taxpayers or citizenry as a whole. Program receipts are classified into three categories as follows:

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.

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.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The City had no program-specific capital grants and contributions in the current year.

H. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

I. EQUITY CLASSIFICATIONS

Government-wide Financial Statements:

Equity is classified as net position and is displayed in one of the following two components under the modified cash basis:

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups or law.

Unrestricted Net Position - Includes all other net positions that do not meet the definition of restricted net position.

Fund Financial Statements:

The City classifies governmental fund balances as follows:

Nonspendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form, such as inventories or prepaids, or because of legal or contractual constraints. The City has no nonspendable fund balances.

Restricted - Includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, grantors or contributors, or amounts constrained due to constitutional provision or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the City Commissioners by resolution and do not lapse at year-end. No commitments have been made by the City.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Commissioners.

Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. APPLICATION OF NET POSITION

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

K. REVENUES RECEIVED IN ADVANCE

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

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 as follows:

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

Investments

In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at the date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank 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, 2023, the City's bank balances above FDIC limits are insured and collateralized in compliance with the South Dakota Public Deposit Protection Collateral Program.

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

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. The City has all of its deposits in demand deposits and certificates of deposits.

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

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are for bond redemption and asset management reserves required by the USDA debt agreement and customer deposits. Deposits are required until the account balances equal the amount of one year's payment. The City has made appropriate reserve deposits and is in compliance with these requirements.

NOTE 4 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 5 - COMMITMENTS

As discussed in Note 1.c., the financial statements are presented using a modified cash basis of accounting. The City has not elected to modify its cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements. The City does report the principal and interest payments on long-term debt as debt service expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Net Position - Proprietary Fund. On the Statement of Activities, the principal and interest portion of these debt service payments are reported within the appropriate expense function.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - COMMITMENTS (CONTINUED)

The following is a summary of the long-term commitments for the year ended December 31, 2023:

	Balance 12/31/22	Advances	Payments	Balance 12/31/23	Due Within One Year
Bonds					
Water Improvements	\$ 440,634	\$ -	\$ (32,754)	\$ 407,880	\$ 33,560
Sewer Improvements	156,423	-	(3,796)	152,627	3,911
Sewer Improvements	22,798	-	(16,097)	6,701	5,393
Water Improvements #2	377,614	-	(10,535)	367,079	10,747
Total Bonds	\$ 997,469	\$ -	\$ (63,182)	\$ 934,287	\$ 53,611
Notes from					
Direct Borrowings:					
2020 Dodge Durango	16,006	-	(5,178)	10,828	5,336
2021 Dodge Durango	22,747	-	(5,820)	16,927	5,999
Total Direct Borrowings	\$ 38,753	\$ -	\$ (10,998)	\$ 27,755	\$ 11,335
Total Commitments	\$ 1,036,222	\$ -	\$ (74,180)	\$ 962,042	\$ 64,946

Long-term debt at December 31, 2023, is comprised of the following:

Water Improvements - State Drinking Water Revolving Loan in the amount of \$920,000 requiring quarterly payments of \$10,866 including interest at a rate of 2.5% with final maturity in April 2034. Payments are made from water service charges in the Water Fund.

\$ 407,880

Sewer Improvements - USDA Rural Development loan for a sewer lagoon stabilization project in the amount of \$416,000 requiring monthly payments of \$1,531 including interest at a rate of 3.0% with final maturity in August 2050. Payments are made from the Sewer Fund.

159,328

Water Improvements #2 - State Drinking Water Revolving loan in the amount of \$440,525 requiring quarterly payments of \$4,502, including interest at a rate of 2.0% with final maturity in January 2050. Payments are made from water service user surcharges in the Water Fund.

367,079

2020 Dodge Durango - Equipment loan with a bank in the amount of \$26,000 requiring quarterly payments of \$1,400 including interest at a rate of 2.95% with final maturity in December 2025. Payments are made from the General Fund.

10,828

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 5 - COMMITMENTS (CONTINUED)

2021 Dodge Durango - Equipment loan with a bank in the amount of \$29,973 requiring quarterly payments of \$1,609 including interest at a rate of 2.95% with final maturity in December 2026. Payments are made from the General Fund.

16,927
\$ 962,042

The annual requirements to amortize the long-term liability outstanding as of December 31, 2023, including interest are as follows:

	Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 53,611	\$ 21,819	\$ 11,335	\$ 698
2025	50,710	20,213	11,668	356
2026	50,615	19,294	4,752	69
2027	51,859	18,050	-	-
2028	53,134	16,775	-	-
2029-2033	285,929	63,616	-	-
2034-2038	127,740	36,212	-	-
2039-2043	108,033	24,190	-	-
2044-2048	121,213	11,010	-	-
2049-2053	31,443	501	-	-
	<u>\$ 934,287</u>	<u>\$ 231,680</u>	<u>\$ 27,755</u>	<u>\$ 1,123</u>

NOTE 6 - LEASES

The City leases a copy machine over a term of three years, with monthly payments of \$174, expiring in September 2025. Payments made during the year ended December 31, 2023 were \$2,273. Future lease payments are as follows:

	<u>Lease Payment</u>
2024	\$ 2,272
2025	1,209

NOTE 7 - PENSION PLAN

Plan Information

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

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 7 - PENSION PLAN (CONTINUED)

Benefits Provided

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

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

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

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

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

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

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

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 7 - PENSION PLAN (CONTINUED)

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to required contributions each year were \$30,527, \$32,289, and \$26,299, respectively.

Pension Liabilities (Assets)

At June 30, 2023, SDRS is 100.07% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023 and as of December 31, 2023 are as follows:

Proportionate Share of Pension Liability	\$ 2,986,822
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>2,988,833</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (2,011)</u>

At December 31, 2023, the City had a liability (asset) of \$(2,011) for its proportionate share of the net pension liability (asset). This asset is not reflected in the financial statements due to the modified cash basis of reporting. The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was 0.020612%, which is a decrease of 0.000232% from its proportion measured as of June 30, 2022.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

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

- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial: PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 7 - PENSION PLAN (CONTINUED)

- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65.
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages.
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table.
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table.
 - Others: PubG-2010 disabled member mortality table.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the Council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed-income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	100%	

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 7 - PENSION PLAN (CONTINUED)

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 412,353	\$ (2,011)	\$ (340,883)

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 - 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 year ended December 31, 2023, the City managed its risks as follows:

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident that could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution to provide liability coverage detailed below under an occurrence-based policy. The premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for torts, theft or damage to property, and errors and omissions of public officials.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 8 - RISK MANAGEMENT (CONTINUED)

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

The City has no deductible for general liability coverage, auto liability coverage, and officials' liability coverage, a \$2,000 deductible for law enforcement liability coverage, and a \$500 deductible for all other claims.

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

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. There were no claims paid during the year ended December 31, 2023 and no claims are expected next year.

Workmen's Compensation

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

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

Employee Health Insurance

The City joined the South Dakota Municipal League Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person. The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

City of Martin, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 9 - RESTRICTED NET POSITION

The amount classified as restricted net position at December 31, 2023 is classified as follows:

	Governmental Funds	Proprietary Funds	Total
By Donor	\$ 26,785	\$ -	\$ 26,785
By Grantor	478,094	-	478,094
By Creditor	-	129,345	129,345
	\$ 504,879	\$ 129,345	\$ 634,224

NOTE 10 - INTERFUND TRANSFERS

During the year ended December 31, 2023, the City transferred \$65,000 from the BBB fund to the General fund for use in promoting the City.

NOTE 11 - PLEDGED REVENUES

In accordance with certain debt agreements, the City has pledged revenues for the repayment of debt obligations. The City has pledged water user revenues for the repayment of state revolving fund bonds. Virtually all revenues of the water fund are pledged for the repayment of debt, including a specific water user surcharge that is assessed to all users monthly.

NOTE 12 - SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

City of Martin, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
December 31, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes:				
Property Taxes	\$ 202,463	202,463	\$ 186,378	\$ (16,085)
Sales and Use Taxes	470,000	530,000	728,616	198,616
Licenses and Permits	9,060	26,150	29,977	3,827
Intergovernmental Receipts:				
Federal Payments in lieu of taxes	6,000	6,000	8,698	2,698
State Shared Revenue	12,200	12,200	16,503	4,303
County Shared Revenues	27,000	27,000	50,980	23,980
Grants	50,000	774,000	578,906	(195,094)
Charges for Services	33,510	50,600	221,561	170,961
Interest Earnings	1,000	61,000	115,024	54,024
Miscellaneous Revenue	24,000	35,020	46,226	11,206
Total Receipts	835,233	1,724,433	1,982,869	258,436
DISBURSEMENTS				
General Government:				
Legislative	18,960	18,960	14,755	4,205
Attorney	40,000	40,000	37,490	2,510
Elections	900	900	51	849
Financial Administration	102,150	102,150	99,837	2,313
Other	23,900	48,900	56,440	(7,540)
Public Safety:				
Police	311,350	371,350	296,545	74,805
Fire	28,600	32,100	31,980	120
Protective Inspection	71,400	71,400	69,138	2,262
Public Works:				
Highways and Streets	158,850	158,850	139,120	19,730
Street Development	64,500	94,500	3,670	90,830
Snow Removal	27,950	49,950	45,392	4,558
Street Lights	48,300	48,300	43,870	4,430
Airport	55,450	810,450	638,578	171,872
Culture and Recreation:				
Parks	73,300	73,300	73,081	219
Markota	8,300	36,300	34,085	2,215
Pool	36,850	36,850	25,281	11,569
Golf	27,300	27,300	27,081	219
Museum	4,720	5,420	5,277	143
Total Disbursements	1,102,780	2,026,980	1,641,671	385,309

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

City of Martin, South Dakota
Budgetary Comparison Schedule - Budgetary Basis -
General Fund (Continued)
December 31, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(267,547)</u>	<u>(302,547)</u>	<u>341,198</u>	<u>643,745</u>
OTHER FINANCING SOURCES				
Transfers In	<u>201,925</u>	<u>201,925</u>	<u>65,000</u>	<u>(136,925)</u>
NET CHANGE IN FUND BALANCE	(65,622)	(100,622)	406,198	506,820
FUND BALANCE - BEGINNING	<u>1,984,984</u>	<u>1,984,984</u>	<u>1,984,984</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,919,362</u>	<u>\$ 1,884,362</u>	<u>\$ 2,391,182</u>	<u>\$ 506,820</u>

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

City of Martin, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - BBB Fund
December 31, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes:				
Sales Taxes	\$ 20,000	\$ 60,000	\$ 62,656	\$ 2,656
Investment Earnings	<u>-</u>	<u>70</u>	<u>298</u>	<u>228</u>
Total Receipts	<u>20,000</u>	<u>60,070</u>	<u>62,954</u>	<u>2,884</u>
DISBURSEMENTS				
Conservation and Development				
Economic Development	<u>14,000</u>	<u>39,000</u>	<u>9,015</u>	<u>29,985</u>
Total Disbursements	<u>14,000</u>	<u>39,000</u>	<u>9,015</u>	<u>29,985</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>6,000</u>	<u>21,070</u>	<u>53,939</u>	<u>32,869</u>
OTHER FINANCING USES				
Transfers Out	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(59,000)	(43,930)	(11,061)	32,869
FUND BALANCE, BEGINNING OF YEAR	<u>51,401</u>	<u>51,401</u>	<u>51,401</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (7,599)</u>	<u>\$ 7,471</u>	<u>\$ 40,340</u>	<u>\$ 32,869</u>

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

City of Martin, South Dakota
Schedule of the City's Proportionate Share
of the Net Pension Liability (Asset)
December 31, 2023

	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	0.0206120%	\$ (2,011)	\$ 474,219	0.42%	100.07%
2022	0.0208440%	\$ (1,970)	\$ 677,292	0.29%	100.10%
2021	0.0185330%	\$ (141,931)	\$ 854,833	16.60%	105.52%
2020	0.0201914%	\$ (877)	\$ 817,533	0.11%	100.04%
2019	0.0202178%	\$ (2,143)	\$ 740,650	0.29%	100.09%
2018	0.0202390%	\$ (472)	\$ 774,400	0.06%	100.02%
2017	0.2161310%	\$ (19,614)	\$ 740,817	2.65%	100.10%
2016	0.0211693%	\$ 71,508	\$ 757,350	9.44%	96.89%
2015	0.0207955%	\$ (88,200)	\$ 723,317	12.19%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**City of Martin, South Dakota
Schedule of Pension Contributions
South Dakota Retirement System**

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 30,527	\$ 30,527	\$ -	\$ 460,761	6.63%
2022	\$ 32,289	\$ 32,289	\$ -	\$ 472,435	6.83%
2021	\$ 26,299	\$ 26,299	\$ -	\$ 854,750	3.08%
2020	\$ 26,461	\$ 26,461	\$ -	\$ 854,533	3.10%
2019	\$ 26,326	\$ 26,326	\$ -	\$ 779,092	3.38%
2018	\$ 25,022	\$ 25,022	\$ -	\$ 757,525	3.30%
2017	\$ 26,046	\$ 26,046	\$ -	\$ 757,609	3.44%
2016	\$ 25,455	\$ 25,455	\$ -	\$ 749,083	3.40%
2015	\$ 23,478	\$ 23,478	\$ -	\$ 740,334	3.17%

* Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

City of Martin, South Dakota
Notes to the Supplementary Information
December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The budgetary comparison schedule has been prepared on the modified cash basis of accounting and presents capital outlay and debt service disbursements within each function similar to the Statement of Activities - Modified Cash Basis.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular Council meeting in September of each year or within 10 days thereafter, the City Council introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual disbursements for each purpose cannot exceed the amounts budgeted except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such line item may not exceed five percent of the total municipal budget and may be transferred by resolution of the governing board 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 governing board. The City did not encumber any amounts at December 31, 2023.

NOTE 3- PENSION CONTRIBUTIONS

Changes from Prior Valuation

The June 30, 2023 actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 actuarial valuation.

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

Benefit Provision Changes

During the 2023 legislative session, no significant SDRS benefit changes were made and emergency medical services personnel became Class B Public Safety Members.

Actuarial Method Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in an FVFR equal to or exceeding 100%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

City of Martin, South Dakota
Notes to the Supplementary Information
December 31, 2023

NOTE 3- PENSION CONTRIBUTIONS (CONTINUED)

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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

**City of Martin, South Dakota
List of City Officials
December 31, 2023**

MAYOR

Gary Rayhill

COUNCIL MEMBERS

Tootie Moffitt

Gloria Claussen

Gregg Claussen

Lindsee Harris

Kevin Rascher

Jay Yohner

FINANCE OFFICER

Jean Kirk